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## EGYPTIAN PRESIDENT MAKES HIS HISTORIC ADDRESS

# Sadat and Begin speeches disappoint

BY ROGER MATTHEWS: JERUSALEM, Nov. 20

IDENT SADAT of Egypt today achieved a historic milestone by addressing the people of his own country. But neither he, nor his Prime Minister, Begin, Israel's Prime Minister, offered in their speeches much hope for a substantial narrowing of the search for Middle East peace.

Initial Egyptian reaction to the response to Mr. Sadat's historic journey to Jerusalem—his "sacred mission"—as he had described it—ranged through nonchalant caution to "disappointment" and anger.

Officials accompanying President Sadat said they left the Knesset (Parliament) after the speech of the two leaders that they had expected a much more positive response to the peace and personal dangers implicit in the Egyptian leader. "We did not come for a history lesson. We came to see if the Jews were really serious about peace," said after listening to Mr. Begin's speech.

Some Israeli officials said that they were disturbed by Mr. Sadat's strong reiteration of what they already knew so well and felt that they had hoped for greater next. Such hopeful signs as they could detect

in the Egyptian leader's address were the absence of any mention of the Palestine Liberation Organisation. The Israelis have always refused to consider negotiations with the organisation.

Should this be the more general reaction on the Egyptian side and throughout the Arab world after more mature reflection, then the centre-piece of the Sadat visit will have turned out to be not the breakthrough to peace and a re-convened Geneva conference, but yet another attempt—albeit the most dramatic—which has foundered.

Mr. Sadat, speaking in Arabic, pulled no punches in his address. While repeatedly emphasising his sincere desire for peace based on justice, and the needless suffering caused to so many by war, he insisted firmly that the rights of the Arab cause were self-evident and had to be respected.

These were: an end to Israeli occupation of Arab territory; the right of the Palestinian people to their own state; the rights of all states to live in peace within guaranteed borders; and adherence to United Nations principles whereby no country would resort to force.

Mr. Begin was no less insistent about Israel's

genuine desire for peace and said that his people had been under persistent attack from the first day that the state of Israel came into existence nearly three decades ago.

So, while Mr. Sadat did not yield on the question of a Palestinian State, his approach seemed to lend some hope that he might be more flexible about the procedures by which this eventually might be discussed.

Mr. Begin, on the other hand, made not the slightest reference to the occupied Arab territories either as a whole or in their separate parts such as the Sinai Peninsula, the West Bank and Gaza.

Perhaps to this extent the two leaders' speeches were notable for their omissions—unless, of course, a great deal more was said at their two-hour working dinner to-night and their 75 minutes of private talks later. However, President Sadat has not extended his visit beyond to-morrow afternoon and there seems little chance that he will be taking back to Cairo anything substantive.

His achievement, as he stated in his address to the Knesset, would be the fact that he came to Israel, put his case to the people and asked them to exercise influence on their leaders.

To-night Mr. Begin said both sides had drafted a joint communiqué for release to-morrow. "The communiqué assures the continuation of a dialogue for peace between Israel and Egypt and the other Arab countries," Mr. Begin said.

Because the Knesset session was being televised live to several parts of the world, not least the U.S. and Western Europe, it was inevitable that both men should also address themselves to public opinion outside the Middle East, which has such a critical bearing on the prospects for peace here.

So, while Mr. Sadat emphasised the great personal dangers he had accepted to make his dramatic journey, Mr. Begin was no less insistent on the harrowing history of the Jewish people, the fact that 1.1m. children had died during the second world war and the determination of his Government never again to allow their offspring to be in danger.

Mr. Begin also issued invitations to other leaders of the Arab confrontation states to come to Israel, and indicated his own willingness to travel to Cairo. But, unless Mr. Sadat can show that he scored a major triumph here this week-end, there is little chance of these journeys taking place.



THE HANDSHAKE: Mr. Begin and Mr. Sadat after the Prime Minister had made his speech in reply to the President.

Details of speeches and other reactions. Page 5 • Editorial comment, Page 14

## NEWS SUMMARY

**GENERAL**  
**Firemen Talks on strike**  
**oes on oil money**

There is little hope of a settlement of the firemen's strike this week, with both sides prepared to go into next week's negotiations to the Fire Brigades Union.

Provisional IRA administration that it had deliberately fed major fire-bomb attacks all last during the industrial week. Back Page, Feature 27

**crash toll**  
 Portuguese national airline suffered its first disaster as a Boeing 727 from Brussels crashed near Funchal, Madeira, rainstorm. Rescue workers 130 passengers and crew.

Most of the passengers Portuguese or Belgians, but may have been Britons.

**ter talks**  
 Mr. Mason, Under Secretary, a new round of talks in Ireland to-day aimed at ending the political stagnation that has lasted for the past two and a half years.

**C-fee storm**  
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Howell, Sports Minister, is to table a Commons bill to abolish the Home Secretary's explanation of Mr. Ian Trethowan, BBC.

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## Syria leads Arab revolt against initiative

BY ANTHONY McDERMOTT

ARAB REACTION to President Sadat's speech to the Israeli Knesset led by Syria was universally hostile. The campaign in the Syrian media broke all bounds of previous hostile campaigns, such as the one which followed the conclusion of the second Egyptian-Israeli agreement over Sinai in 1975.

The radio called for the Egyptian people to bring Mr. Sadat down. The headlines of the dailies called Mr. Sadat a traitor, and the visit "a trip of contempt and shame." They were accompanied by caricatures in the same tone, one of which showed Sadat standing at the airport, saluting the Israeli flag presented to him and an Israeli guard of honour, and under his feet a carpet bearing the words "the blood of Egyptian martyrs."

While Mr. Sadat was speaking at the Knesset, Syrian television was showing films about the Israeli killing of civilians in the

Arab world, focusing on the shelling of a civilian area of Damascus during the 1973 war.

From Beirut, it was reported that the Palestine Liberation Organisation called yesterday for an immediate Arab summit to deal with the situation arising from President Sadat's visit.

Other Palestinian organisations called for Mr. Sadat's arrest, and the Syrian-backed Saiga openly urged his assassination. Leaders distributed in Beirut called on the PLO soldiers of the Egyptian Army to "split the blood of the traitor."

Damascus Radio appealed to Arabs in the occupied West Bank to rise against Sadat, labelled "a traitor, a capitulationist, and a weakling."

The Gulf States took their cue from Saudi Arabia—where finances Egypt and Jordan and Syria, the other confrontation

thus undoubtedly endanger the whole Arab nation."

Attention has turned in the Arab world to what practical steps will be taken to deal with the consequences of Mr. Sadat's visit.

Observers in Beirut expected the backlash against Mr. Sadat for his increasing pressure for the emergence of a strong Arab front, hitherto represented by Iraq, Libya and Palestinian extremists, to confront Israel without Egypt and isolate the regime of President Sadat.

This would depend largely on whether Damascus and Baghdad are ready to set their longstanding and sharp conflict aside and on Syria reversing its policy from one of seeking a settlement with Israel to one of military confrontation.

The Gulf States took their cue from Saudi Arabia—where finances Egypt and Jordan and Syria, the other confrontation

## 'Rejoice now, we'll worry later ...'

BY ROGER MATTHEWS AND DAVID LENNON

JERUSALEM, Nov. 20. And past Prime Ministers and their army commanders who had wreaked such havoc on his nation, waving cheerfully to cheering crowds in Jerusalem, visiting the museum that commemorates the holocaust that destroyed six million Jews, and laying a wreath at the memorial to Israel's unknown warrior.

The sense of drama was not confined to the star players. There was the international telephone operator in Tel Aviv who said, for the first time, "hello, Cairo" and was greeted with an excited response and "it's lovely to talk to you."

Egyptian journalists, some of them nearly 48 hours without sleep after an exhausting struggle to get permission for their charter flight from Cairo to Tel Aviv, were pursued by the local Press and world media to give just one more interview.

For \$3.50 you could buy a tee-shirt emblazoned with a grinning Sadat and Begin, Continued on Back Page

## Chapple warns of power strike

BY CHRISTIAN TYLER, LABOUR EDITOR

A STRAIGHTFORWARD challenge to the Government's pay guidelines came last night from Mr. Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, on the eve of the union's conference in Blackpool.

Of the forthcoming pay negotiations for 57,000 workers in the electricity supply industry—of whom 50,000 belong to his union—he said:

"I think if the Government actually intervenes to hold the management to 10 per cent, then only a miracle is going to stop us having a catastrophic stoppage in the industry."

The Prime Minister will be addressing the conference on Wednesday, the day before the wages debate.

Negotiation of the power workers' claim, represented by four unions, starts in earnest in the New Year. But the elec-

tricians will keep a careful eye on the miners, whose claim for a near doubling of their rates has already been submitted. Like the power workers, the miners are due to settle next March.

Meanwhile, moderates in the National Union of Mineworkers plan to introduce through the back door the output bonus scheme rejected by a national ballot of members.

With the tacit support of the National Coal Board, they may decide at next month's meeting of the union's national executive to let individual areas go ahead, despite the vote.

Mr. Arthur Scargill, Yorkshire union president, yesterday called for the dismissal of Coal Board officials who recently tried to introduce a productivity incentive scheme among 15 development workers at South Kirkby colliery, Barnsley.

The battle nobody wants Page 12

## Mirror stops London publication

FINANCIAL TIMES REPORTER

THE Daily Mirror stopped publication in London last night until further notice and today gave notice together with an ultimatum on peace terms for a return to work. The Mirror Group Newspapers Board held an emergency meeting yesterday over the continuing dispute with journalists who are demanding overall rises of 23,000 a year.

A statement afterwards said: "Interference has reached such a magnitude that continued publication in London is now impossible."

Production of the Mirror in Manchester is going ahead last night and is not affected by the Board's decision.

Mr. Percy Roberts, the group's chairman and chief executive, said: "The company fully appreciates the seriousness of the step it is taking. A long stoppage might threaten the existence of one or more titles."

The same warning of drastic action will also go out to journalists on the Sunday Mirror, Sunday People and Revellie unless agreement is reached with them by 11 a.m. on Thursday.

Mirror journalists are claiming overall rises of £3,000 a year to cover their house claim and the switch by the management to new technology.

On Friday they voted to reject

of its newspapers with a revenue loss of £1.5m.

The Mirror NUJ chapel (office branch) committee said: "The management has quite simply suddenly prevented journalists bringing out the paper—even though the staff had been working normally all day."

The Scotsman resumed publication in Edinburgh last night after claims 714,000 copies were lost, the ending of a week-long dispute over merit money when Sunday People were affected the following night. Along with other negotiators by Mr. Ken Ashton, journalist action earlier this month the management says that David Snedden, the paper's managing director.

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### AN OFFER FROM M&G AMERICA

Many experts now regard Wall Street as more attractive than London

INVESTORS CHRONICLE 9377

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DAILY EXPRESS 27.7

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LOMBARD

A mystery in the Treasury

BY SAMUEL BRITTON

THERE WAS a time when the Treasury would have fought the bars for the Treasury forecasts. Not many years ago Mr. Jeremy Bray thought that their publication would cause an economic revolution and resigned from the first Wilson Government to further that cause.

Approach

Computer techniques have allowed a variant of the Allen approach to be developed. The Treasury forecasting model has been published and anyone can now have his own Treasury-type forecast on his own assumptions.

THE OFFICIAL 1978 FORECAST

Table with 4 columns: Category, Healey Version, % p.a., Ward Version, % p.a. Includes rows for Productivity Growth, Labour force, Capacity Growth, and Jobs for Unemployed.

Radio

- BBC 1: 9.35 a.m. For Schools. Colleges. 10.45 You and Me. 11.00 For Schools. 12.45 p.m. News.

F.T. CROSSWORD PUZZLE No. 3524

Crossword puzzle grid with 15 numbered squares and a list of clues for 1-15.

- ACROSS: 1 The method followed by the Swift is unassuming (8)
- DOWN: 1 To feel not so much concern can be stupid (8)

THE WEEK IN THE COURTS

Problems of precedent

THE JUDGES are once again wrestling with the age-old problem of legal precedent, a doctrine that compels judges to fashion their instant decisions (or at least articulate the reasons for such decisions) out of the accumulated wisdom (or folly) of their judicial forebears, past and present.

Alter course: If it had been agreed in the tax world, or the commercial community, that the law as laid down in the earlier decision was generally unsatisfactory, then the House of Lords might have been disposed to alter course.

Such considerations of precedent have been passing through the minds of the judges at the end of last week to resolve in the Court of Appeal the knotty problem arising out of the Domestic Violence and Matrimonial Proceedings Act 1976.

Radio

- BBC 2: 10.00 a.m. The Role of the Nurse. 11.00 Play School. 12.30 p.m. Carry on Learning.

BORDER

- 12.30 p.m. All About Babes. 12.30 p.m. All About Babes. 12.30 p.m. All About Babes.

RADIO 1

- 6.00 a.m. News. 6.30 a.m. News. 7.00 a.m. News. 7.30 a.m. News.

French buckle against quick-thinking Kiwis

NEW ZEALAND'S 15-3 win over France in Paris was certainly no classic, but it had a continuing thread of excitement and appeal mostly generated by the front-line players.

RUGBY

Although the victory was not easily gained, the result was inevitable. Above all, the All Blacks were quicker in thought and action as they tried to score after half-time demoralisation.

Too gentlemanly at Bedford

ANY SIDE which has beaten Leicester, Nottingham, Richmond and Gloucester should be a power in the land, but Bedford failed to produce the class their record suggests when achieving a defeat but uninspired 9-3 victory over Northampton.

Bad dream at Stamford Bridge

THE NIL-NIL scoreline at Stamford Bridge, on Saturday, was the correct result for a whitewash match, littered with mistakes and low on entertainment value.

£7,265 end of Lloyd's hopes

THE DREAM is over for 23-year-old British Davis Cup man John Lloyd. After a magnificent run of 4-0 in the third set he looked to be in complete command, but Monte Carlo three years ago.

TENNIS

resting stoutly, Lloyd managed twice to break serve as he risked all on early-hit counterattacks that fortunately contained few errors. But his own serve was still vulnerable.

Assembly Point appeal to be treated leniently

BACKERS had another bad day at Ascot on Saturday, when vanquished favourites included Bunker Hill, on whom there was a wholesale gamble in the Black and White Whisky Gold Cup.

Go... Wemb... ANTED... RACING... BY DOMINIC WIG...



# The Golden Country

by B. A. YOUNG

personation of the his head to ensure against quick us in 17th-century Japan death from circulatory obstruc- tion. The real Father Ferreira devoted the rest of his life to solid anti-Christian activities, but the dramatic one releases into harmless squalor. Is the Christian threat to Japan done with? No way. A final visit to the Bureau office reveals news of a secret landing by four more priests.

The examination of Ferreira's motives in apostasy is the most important thread in the play, is given too little scrutiny compared with the more purely theatrical adventures of the peasants and the Yuki-Gensnosuke affair. But I found the play interesting for its historical content, which is presented in present-day terms. The characters do not pretend to be Japanese; they dress in our own style, they use radio sets and bicycles, and we can feel ourselves temporary members of this society. Inoue's conclusion, which is also Endo's, is that there is something about the Japanese character that militates against the adoption of Western ways of thought—a theory that may well be true for matters of the spirit but will be received with scepticism by the motor-cycle industry.

The director is Richard Negri.



Alberto Remedios

Theatre Royal, Glasgow

## Ariadne on Naxos

To the always considerable pleasure of visiting Scottish Opera in its handsome Glasgow home theatre there was added last week the promise of a Ariadne revival with Helga Dernesch Janet Baker, and Alberto Remedios in the cast. Big names; but for most of the evening the promise remained sadly unfulfilled.

The fault by no means lay entirely with the cast. Under Norman Del Mar the playing of the Scottish Chamber Orchestra was splendid; it may be a gross exaggeration to claim that Mr. Del Mar writes about Strauss more competently than he conducts him, yet occasional combinations of the two have achieved delightful varieties of transience and pliancy. A series of cogent calculations—the piano was allowed to lend a particularly heavy hand to the textures.

Then, Anthony Beech's 1975 production, updating the action to the period of the opera's creation, managed in its deadly alliance of humourlessness and camp to reduce almost all of Holman's charming ambiguity and paradoxes to a single persistent vulgarity, and to close the ears by means of a barrage of irrelevant by-play, to the meaning of the words and to the sound of the music's birth date. In this latter respect the sets, too, have been a failure. Ariadne is permitted her final apotheosis in severely strained by the ineptness of its stage-management. Could the designer really have been Peter Rice?

If some things survived such disastrous handling—Zerbinetta's music, her quickly sketched relationship with the Composer among them—that is because there is essential robustness in their manufacture. But the burden thus placed on the singers was heavy, and unequalled in the opera house. The leading plump-coloured sumptuousness of her tone. In addition, the Viennese soprano now

St. John's, Smith Square

## Cathy Berberian

by ELIZABETH FORBES

Cathy Berberian is one of those extraordinary artists who can communicate across the linguistic barrier of an alien culture. In her recital "An Evening with Cathy Berberian" at St. John's on Friday, she presented a programme of music from far apart as China and Brazil for each she found a suitable style, now harsh-voiced, now smooth-toned. The folk-materials were mainly filtered through the sophistication of a professional composer, but Miss Berberian explained the song's origin as well as the circumstance of its arrangement, and gave a precise performance.

The Armenian group with which she appropriately began Copland's *amusinaz* "I bought a Cat" (USA) made the audience roar with delighted laughter; Havdn's familiar version of the Greek "All through the Night" gave the singer a chance to express a more serious sentiment. Ravel's Yiddish setting of "The Eternal Enigma" was preceded by the original folk-tune sung as well as played by Mr. Lester. Another Yiddish song, the rousing "Romania, Romania," ostensibly ended the programme, but Miss Berberian was prevailed upon to give an encore, including a typically luscious gypsy melody, and a "Love-dance-song" from Azerbaijan, vividly choreographed.

Purcell Room

## Fortepianos

by NICHOLAS KENYON

That the music of the classical period deserves "authentic" performance just as much as the music of the medieval, renaissance and baroque periods is something we are only just coming to accept. But the real benefits of the use of original instruments in this music were demonstrated very clearly in Friday's duo recital of Haydn, Mozart, Beethoven and Schubert on two early 18th-century fortepianos.

Kenneth van Barhold and Richard Burnett are both well known for their advocacy of these instruments, and they play with a fine feeling for their special qualities. Mr. van Barhold made Beethoven's Op. 2 No. 2 Sonata a thing of elfin lightness and grace on a superb Viennese instrument of 1782 by Fritz. The arpeggios of the Scherzo and the graceful lures of the final Rondo took wing, while the bass line below had a perfect clarity without ever having to be over-emphasised.

It is perhaps this differentiation of textures (which requires no line to be forced in order to be heard) which makes early

The Entertainment Guide is on Page 9

able to cause a good deal of amusement in the hall by reflecting on the ignorance of certain critics who had mentioned its poor damping mechanism on its last London appearance (during the English Bach Festival). If indeed this was the same instrument (for Mr. Burnett advertised it now as 1801, and then as 1823), then I will simply repeat that it suffered the same drawbacks as before: were the quirky pauses in the finale of Haydn's C major Sonata destined to be filled with a haze of half-damped harmonics?

Fritz beat Broadwood hands down in the final play-off. Mozart's Sonata for two pianos K448, delivered (for reasons of balance) from stage positions of optimum non-communication. The wonderful freshness of this music needs a performance of real subtlety, and this duo's subtlety was not a complete substitute. If he really wants to advance the cause of these pianos, couldn't Mr. Burnett persuade a Brendel or an Eschenbach to spend a day with his Fritz?

NICHOLAS KENYON

## Marcelle Mercenier

Purcell Room

The distinguished Belgian pianist of the avant-garde, Marcelle Mercenier, who has the first performances of works by both Stockhausen and Boulez to her credit, came to London on Saturday night and gave a taxing programme of Boulez and Beethoven with magisterial strength and power.

Her performance of the Boulez Third Sonata was something of an event—though quite impossible to establish in addition to the two published and recorded *Formants*, "Tropes" and "Constellation-Miroir," she played also another *Formant*, "Antiphonie," which Boulez has previously withheld. It may seem foolish to try and fix the date of a piece which is a text-book example of controlled indeterminacy, but Boulez has said in *Conversations with Celestin Deliege*, Eulenberger Books, 1976) that "a third piece made by Boulez and Boulez to state for some years now; I shall now finish it. Although no announcement was made, Miss Mercenier confirmed afterwards that "Antiphonie" had not been heard here before: is the Third Sonata now complete, or are there more *Formants* to come?

As it stands, "Antiphonie" makes a short powerful up-beat to the two following *Formants*, with their strictly limited performer choice that was so un-

typical of Boulez as to cause a sensation when they appeared.

Wembley Conference Centre

## Schwarzkopf by RONALD CRICHTON

Artists are now, very rarely, returning to the Wigmore Hall, favourable in its music, as sympathetic in the later stages of career as it is to beginners. Sidney Ringer, the pianist, and Geoffrey Parry, the first of two Wolf is—two groups, each of three and Goethe settings, them, incredibly, written in February 1888 and by 1899. Needless to say, the music was not absorbed and grateful for the demonstration of the singing—and playing—an *Ein Lied*.

Schwarzkopf has inevitably reached a phase where are problems of tonal and of diction (and of matching of vowel sound) of too, though they are apparent, while one is of phrase after phrase in spite of an occasional ed vowel, or swallowed hant, or why note.

The recital had two essentially distinct parts. The first, within a given song, to the extent to which it covered by the singer's y-to-feel and project a whole (not entirely unaccompanied with Wolf's genius, a a poetic entity), familiar "Verlassene Klänge" was one example, the tone, however, has still to learn to admit latecomers while the music is going on.

The Czech Philharmonic Orchestra played there last night

Wembley Conference Centre

## Czech Philharmonic Orchestra

by ARTHUR JACOBS

The Czech Philharmonic Orchestra played there last night

and will appear to-night at the Festival Hall. Curiously, the "suburban" programme was the most varied and unusual. The Festival Hall will hear (yet again) Smetana's *Buried Bride* overture and Dvorak's Ninth World Symphony, with John Lill as soloist in Beethoven's Piano Concerto No. 3. Last night, between Dvorak's Symphony No. 8 and Ravel's *La Valse*, the orchestra offered a *Rhapsody-Concerto* by Martinu for viola and orchestra.

Any of Martinu's works counts as a rarity in Britain, where his six symphonies and seven string quartets are all but unknown. This *Rhapsody-Concerto*, lasting some 20 minutes, seemed an unimpaired sample. Its melodies are strong, its rhythms vigorous, and other pre- and inter-act. The *Rhapsody-Concerto* is a more exciting soloist than Jaroslav Motilik might have raised the temperature just a little.

Under the baton of Zdenek Kocler, described as his "second conductor," the orchestra itself showed that it is no longer the virtuoso team once associated with Rafael Kubelik (an almost unmentionable name in present-day Czechoslovakia, one gathers). Its strings tend to screech on high notes. The Dvorak symphony was decently delivered; but Mr. Kocler missed the characteristic rhythmic swirl of *La Valse*. And who would have thought that Dvorak's familiar *Slovak Dance* in E minor, as an encore, could be made by Czech musicians into something so slow, droopy and dull?

## Edinburgh Festival director named

The new Director of the Edinburgh Festival is to be Mr. John Drummond, 42 assistant head of Music and Arts, BBC Television. He will succeed Mr. Peter Diamond, Director since 1965.

### PLANT & MACHINERY SALES

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LOCK (400 mm) IN LINE NONSLIP FIRE DRAWING MACHINE	P.O.A.	0902 42541/2/3
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TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE, 8" x 8"	P.O.A.	0902 42541/2/3
MS4 WIRE DRAWING MACHINES 5,000T/Mia. with coils by Marshall Richards	P.O.A.	0902 42541/2/3
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KVA EMERGENCY GENERATOR	£12,227	060684 3000/1
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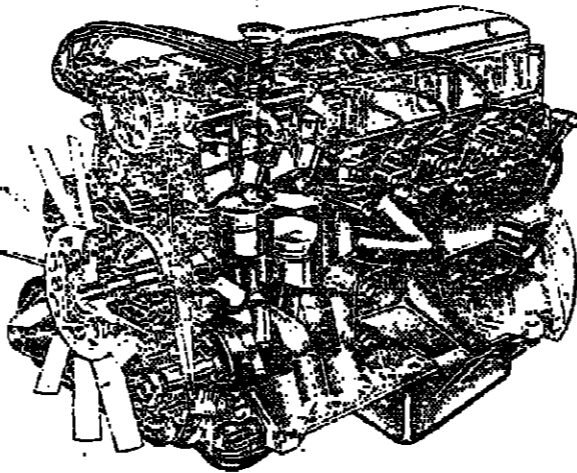
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The Rover 3500 opened a new world of motoring.

The new Rover 2300 and 2600 open that world a lot wider.

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\*Motor magazine. Car tested 2600 manual.



مركزنا للأحليل



PRESIDENT SADAT IN JERUSALEM

A new stage, but the same lines

BY ANTHONY McDERMOTT



President Sadat



Mr. Menachem Begin

Appeal to the people of America

By Richard Johns and Michael Tingay

CAIRO, Nov. 20. PRESIDENT SADAT's historic gamble to directly address the American people...

This is a major aspect of the strategy behind his visit to Israel, according to sources...

His address to the Knesset was regarded as an appeal not only to the people of Israel...

Nevertheless, his quantum leap into the unknown...

Meanwhile, Egyptian and U.S. hopes that Sadat's visit would tacitly approve President Sadat's initiative...

President Sadat appears to have the overwhelming support of the Egyptian people...

But if most Egyptians are demonstrating unbridled enthusiasm...

More serious in the long run will be the build-up of an opposition within the Moslem Brotherhood...

the sufferings, particularly in Europe and that this was basic to the understanding of Israel's fears about its present and its future existence...

Both men were impeccably dressed. Mr. Sadat spoke with careful deliberation...

Mr. Sadat in his address, which lasted almost one hour, initially went out of his way to emphasise that his unprecedented visit...

He then moved out his own credentials for being there...

Mr. Begin, elaborated the thesis that the Jews had imposed upon them...

Earlier, the President led worshippers at his Baptist Church, near the White House...

Afterwards, he amplified his statement, noting the overwhelming gratitude and excitement that President Sadat's visit had generated...

'You had better understand the determination of the people of Palestine to establish their own state once more in their homeland'

—President Sadat

Jerusalem. Amid applause Sadat and Begin shook hands warmly at the end of the latter's address. The broad conclusion must be that no startling new conclusions emerged from the Knesset session...

Mideast response reveals a yearning for peace says Carter

BY JURK MARTIN, U.S. EDITOR

WASHINGTON, Nov. 20. PRESIDENT CARTER today described the speeches in the Knesset as "a moving occasion and a contribution to the cause of peace..."

Earlier, the President led worshippers at his Baptist Church, near the White House, in prayers for peace in the Middle East...

Afterwards, he amplified his statement, noting the overwhelming gratitude and excitement that President Sadat's visit had generated...

his opinion, this showed that some of the leaders in the area "have underestimated the willingness of their own people to accept strong moves towards a new understanding..."

Another senior Government official, Mr. Philip Habib, the Under Secretary of State for Political Affairs, said...

Mr. Habib agreed that President Sadat's initiative provides the opportunity for imaginative responses...

public utterances," he added. It nonetheless was widely noted here that although President Sadat had forcefully stated the Arab case...

Dr. Henry Kissinger, the former Secretary of State, who appears periodically as a television commentator, agreed this morning that President Sadat's omission of reference to the PLO was significant...

Dr. Kissinger thought Israel should make some concessions to the Egyptian leader...

of military force against the Arab countries. Dr. Henry Kissinger, the former Secretary of State, who appears periodically as a television commentator...

Dr. Kissinger thought Israel should make some concessions to the Egyptian leader...

Dr. Kissinger thought Israel should make some concessions to the Egyptian leader...

in) a lot of legalistic arguments. Administration officials have been unable to conceal their concern that President Sadat has gone out on a limb from which he may not be able to return...

Dr. Kissinger thought Israel should make some concessions to the Egyptian leader...

Dr. Kissinger thought Israel should make some concessions to the Egyptian leader...

Guy de Jonquieres reports from Brussels: A fresh attempt is expected to be made at next Tuesday's meeting of EEC Foreign Ministers in Brussels to overcome disagreements...

Despite clear signals from Washington that the U.S. would like the EEC to give public backing to the Sadat initiative...

In France's view, which is shared in varying degrees by several other governments...

OTHER OVERSEAS NEWS

Karamanlis leads but poll shows strong support for Papandreou

BY OUR OWN CORRESPONDENT

ATHENS, Nov. 20.

THE RULING New Democracy Party seemed assured of being returned to power after today's general election...

The decrease of his Parliamentary majority reflects the emergence of Socialist forces to play a leading role in Greece's future political life...

The big winner in today's election was Mr. Andreas Papandreou with his Panhellenic Socialist Movement (PASOK)...

population voted heavily for Mr. Papandreou, who opposes full Greek membership of the EEC...

In a statement to reporters tonight, Mr. Papandreou said it was unprecedented in Greece for a new party to double its strength in such a short period...

Today's loser was Mr. George Marovos whose Union of the Democratic Centre (UDC) won only 13.21 per cent of the votes...

man's electoral strength came from the extreme-right National Front Party...

The alliance of Eurocommunists and small Socialist groups won 2.15 per cent...

There are considerable differences between parties in the federation on this point...

EEC liberals press U.K. on poll

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, Nov. 20.

LIBERAL parties of the nine Common Market countries today called on members of Britain's Parliament to approve the Direct Elections Bill...

The unanimous appeal was issued at the end of the annual congress of the Federation of Liberal and Democratic Parties of the EEC...

Mr. Steel said he hoped fellow Liberal parties in the EEC would maintain pressure on Britain to pass the legislation rapidly...

There are considerable differences between parties in the federation on this point...

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There are considerable differences between parties in the federation on this point...

There are considerable differences between parties in the federation on this point...

Venezuela guerilla clash

BY JOSEPH MANN

CARACAS, Nov. 20.

SIX VENEZUELAN soldiers were killed and another five wounded by Venezuelan guerrillas...

Although Venezuelan military units have tried actively to capture guerrilla hands...

There are considerable differences between parties in the federation on this point...

Sydney lawyer sworn in as Treasurer

By Kenneth Randall

MELBOURNE, Nov. 20.

MR. JOHN HOWARD, a 35-year-old Sydney solicitor who entered Parliament only in 1974, was sworn in as Treasurer yesterday after the resignation on Friday night of Mr. Phillip Lynch.

The Prime Minister, Mr. Malcolm Fraser, accepted Mr. Lynch's resignation in an attempt to end mounting public controversy over land dealings in the Melbourne area involving a Lynch family trust.

Mr. Howard had neither the qualifications nor the administrative experience to be Treasurer...

Mr. Howard, a protégé of the Prime Minister, was Minister for Business and Consumer Affairs during the first 18 months of the Fraser Government...

Gloomy forecasts are likely to emerge from OECD meetings

BY ROBERT MAUTNER

PARIS, Nov. 20.

HIGH OFFICIALS of the OECD, grouping the major industrialised nations of the Western world, will begin three days of meetings here to-morrow...

The predictions, prepared by the OECD secretariat for meetings of the organisation's economic policy committee...

They are expected to be contested particularly by the U.S. and West Germany...

According to the Secretariat's experts, growth rates in the member countries will fall well short of the 5 per cent average target set by OECD Ministers...

will then slow down sharply to little more than 3 per cent in the second half.

The Secretariat is sceptical about the U.S. target for 5 per cent growth in 1978...

Similar pessimism is expressed by the experts about West German growth...

They are expected to be contested particularly by the U.S. and West Germany...

ings that they do not consider that the recent stimulatory action taken by the Bonn Government was sufficient in the context of the world economic situation.

After expanding by about 3.5 per cent in the first half of next year, the experts consider that West German growth will slow down to less than 3 per cent during the second six months period.

For the U.K., too, the outlook is for a slow-down from the current annual rate of some 3.5 per cent to 3 per cent in the first half of 1978 and 2.5 per cent in the second half.

Hanoi-Peking differences

PEKING, Nov. 20

VIETNAM and China publicly aired their differences to-night, with Hanoi adhering to the line of the Soviet Union, Peking's arch-enemy.

While chairman Hua Kuo-Feng accused both the Soviet Union and the United States of aggression...

Washington for blame while praising Moscow.

Mr. Le Duan also took Moscow's line that the world consists of capitalism being confronted by three revolutionary currents...

Advertisement for Republic of Austria bonds, Dfls 75,000,000, 7 1/2% bearer notes 1977 due 1984. Includes logos for Amsterdam-Rotterdam Bank N.V., Algemeen Bank Nederland N.V., Bank Mees & Hope NV, Pierson, Heldring & Pierson N.V.

Vertical advertisement for Rover cars, featuring models 2300, 2600, and 3500. Includes text like 'The new Rover tradition' and 'The car that combines the benefits of the Rover'.



WORLD TRADE NEWS

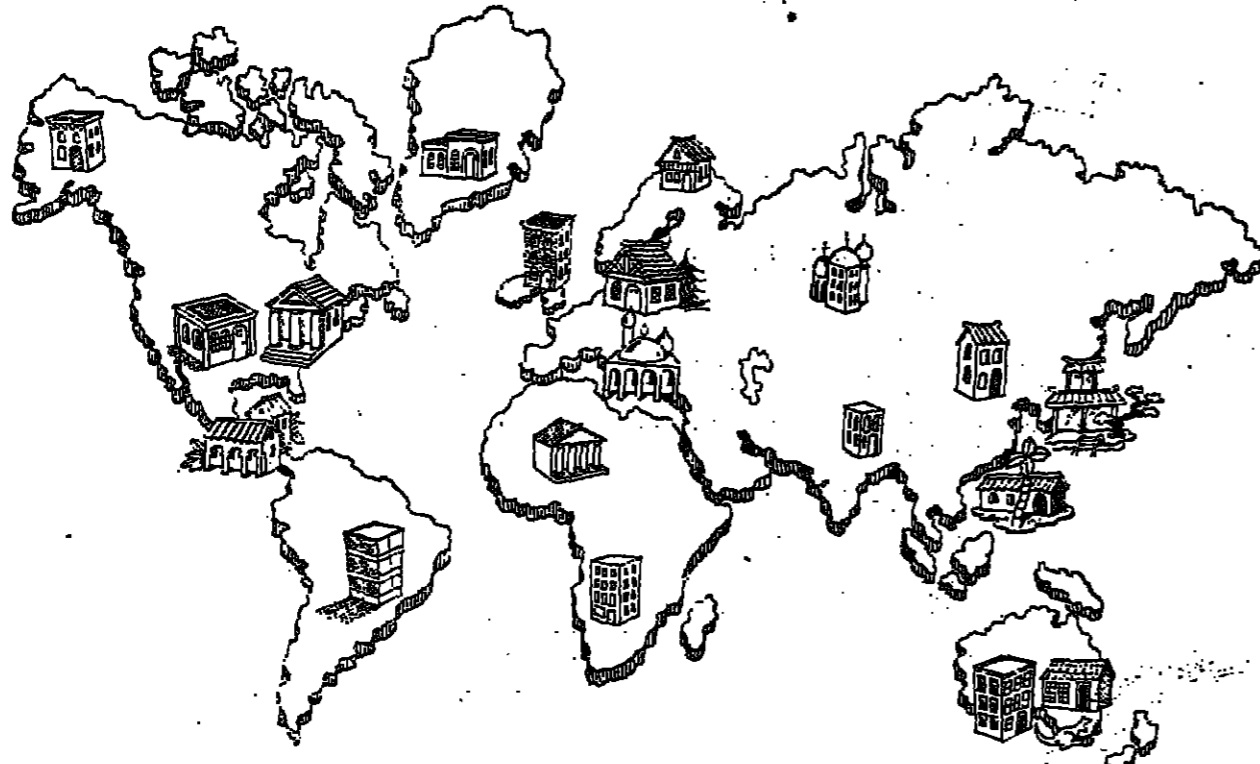
U.K. team in Tokyo for TV talks

BY CHARLES SMITH

AN EIGHT-MAN team from the U.K. Radio Industries Council will be meeting 15 Japanese television and audio equipment manufacturers...

TV shipments by Japan up to the end of September totalled 136,775 sets (giving an annual rate of 170,968 sets). Shipments of black and white TVs over the same period totalled 156,987 sets...

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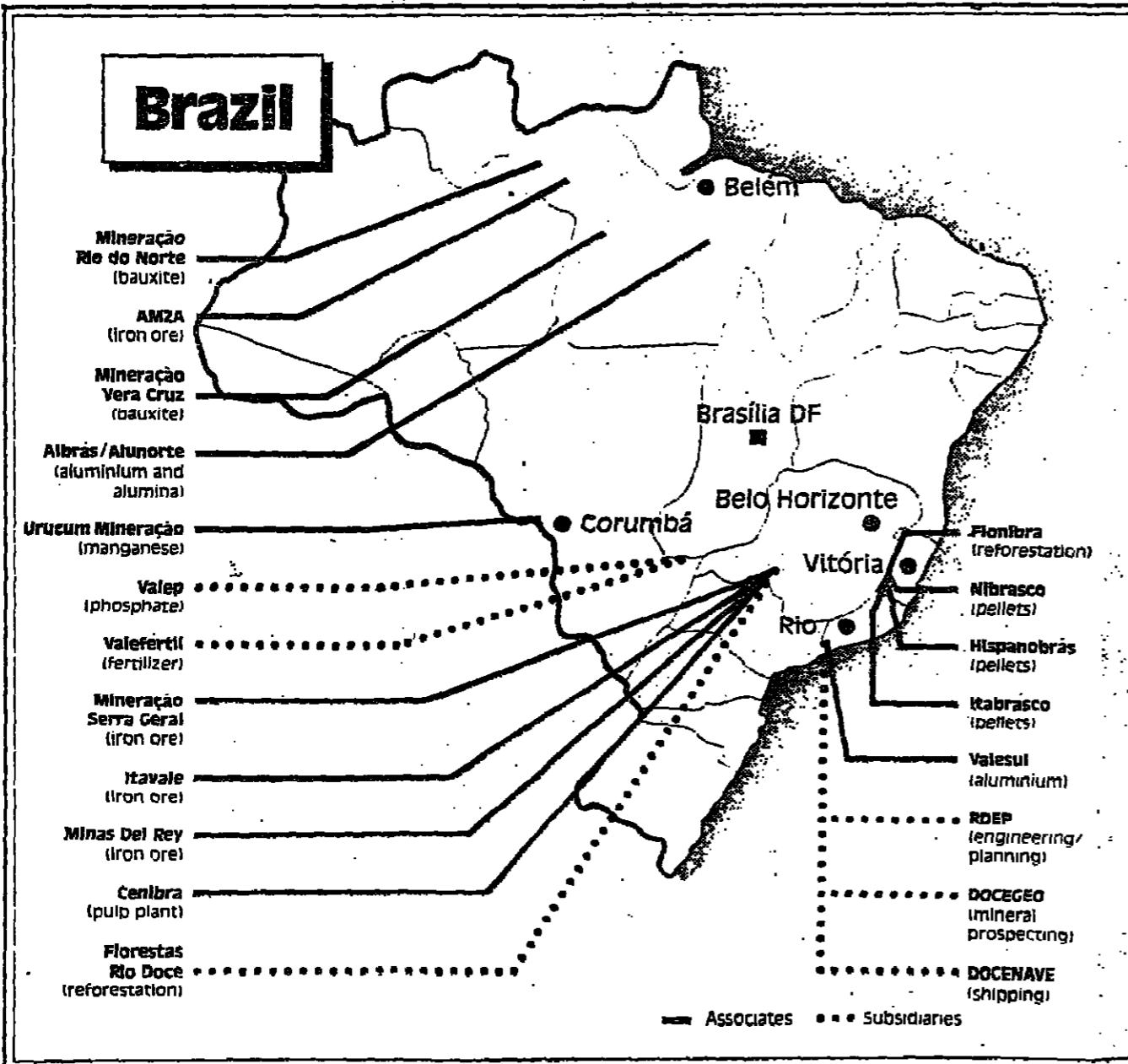
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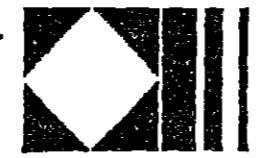
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If you want to know more about our company get in touch with us at the address below: Companhia Vale do Rio Doce, Avenida Graça Aranha 26, P.O. Box 2414/2C-00, Cabo Frio, RJ, Brazil.



Companhia Vale do Rio Doce

HK alarmed by EEC textile move

By Philip Bowring

HONG KONG, Nov. 20. THE IMPACT OF EEC demands for cutbacks in textile imports from developing countries could be even more serious than first thought, according to Hong Kong officials.

Trade sources here feel the impact of this would be very serious indeed. Trade would be interrupted while the new categories were determined and distributed.

These latest revelations have caused a new wave of anger here against what is regarded as yet another breach of GATT and MFN obligations by the EEC.

Monsanto shuts German plant

By David Suchan

BRUSSELS, Nov. 20. MONSANTO THE chemical and synthetic fibre multinational, is to close its textured nylon plant at Crailsheim, Baden Wuerttemberg in West Germany.

The Crailsheim plant—operating at a loss since mid 1975 and now losing the company \$100,000 monthly—is another casualty of the influx of low cost nylon yarn from Far East countries.

U.S. dumping move

Meanwhile in the U.S. Du Pont said it has asked the U.S. Treasury Department to investigate what it believes is the selling of textured nylon yarn by Rhone-Poulenc at prices below production costs and prevailing prices in France.

Du Pont said it believes a large quantity of Rhone-Poulenc textured nylon yarn is being sold in the U.S. at less than fair value. The yarn is textured for use in circular knitting.

Renault to establish Frs.1.3bn. motor complex in Portugal

BY DAVID CURRY

THE FRENCH state-owned company Renault has concluded an agreement with Portugal which effectively entrusts it with the development of Portugal's motor industry.

Last week the private group Peugeot-Citroen signed an accord for the eventual production in France of 100,000 models a year of the new Peugeot 305 by the Iranian national motor company. The Frs.1.3bn. Portuguese investment will be financed by the Portuguese state, private Portuguese interests, and Renault.

Spending of Dutch gas revenue criticised

BY MICHAEL VAN OS

AMSTERDAM, Nov. 20. THE WAY in which Holland has spent its vast natural-gas revenues is "wrong" and has been "economically damaging," Dr. Coenraad Oort, until a few months ago Treasurer, General at the Dutch Finance Ministry, has charged.

Contracts

● Technashipport has awarded Constructors John Brown a second contract for the design and engineering of an ethylene pipeline system in the USSR. The contract, valued at about \$4.3m., also includes the procurement of the equipment and the supervision of erection and commissioning.

PARIS, Nov. 21

expansion of its interests it will eventually give it a 50 per cent. stake in the investment forms part of "Iberian strategy" of integrally "closer production in France and Portugal."

GM opens Kenya plant

BY JOHN WORRALL

NAIROBI, Nov. 20. KENYA'S SECOND commercial motor assembly plant, operated by General Motors, was opened last week in Nairobi by Mr. Mwai Kibaki, the Minister of Finance and Planning.

Diesel engine warning

By Kenneth Gooding, Industrial Correspondent

A WARNING that British manufacturers of diesel engines have about four years to prepare themselves for a massive challenge from Japanese, has come from Michael Hoffman, managing director of Perkins.

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World Economic Indicators

Table with columns: Country, Retail Price Indices (Oct 77, Sept 77, Aug 77, Oct 76), % Change over earlier, Index base year 1970=100. Rows include U.K., West Germany, Italy, Holland, France, Belgium, U.S., and Japan.

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HOME NEWS

# Company pulls out of auto gearboxes

By Terry Dodsworth, Motor Industry Correspondent

**AUTOMOTIVE PRODUCTS**, the Midlands-based motor components company, is pulling out of the automatic gearbox manufacturing business which it entered 12 years ago with a unit designed for the British Leyland Mini.

The company will give up making the four-speed box in June. It says that there will be no redundancies because workers are being switched to the clutch and brake-making activities which have grown significantly this year because of contracts from the continent.

Automotive entered the automatic gearbox industry at a time when it was widely predicted that European motorists would take to this form of driving just as Americans had a decade earlier.

But the expected growth in the market never occurred. The automatic gearbox industry in Europe has remained firmly anchored in the larger, luxury vehicle sector rather than in the volume category which Automotive was pursuing.

## Competition

At the same time, Ford and General Motors built plants for producing their own automatics in Europe, adding to the competition from ZF, the German company, and the U.S. multinational, Borg Warner, which established two factories in the U.K.

Automotive's main business has remained with British Leyland, supplying the Mini, Maxi and Allegro. But it is making only 366 gearboxes a week for Leyland compared with an estimated capacity of 2,000 units.

A licensing deal has been concluded with Lancia, the Fiat subsidiary, for a new unit recently designed for the Beta range and possibly suitable for the Gamma range as well.

Automotive will supply 7,650 units to Lancia up to June, at which time the Italian company will take over manufacturing on its own account.

## Duty-free probe

**DUTY-FREE** facilities on routes between Britain and the Irish Republic may be introduced early next year. A joint study of the implications is to be made first by the British and Irish governments.

# Consumers more pessimistic than last month

BY STUART ALEXANDER

**STRIKES** and the threat of union action were the main reasons for a fall in consumer confidence the November survey carried out for the Financial Times by the British Market Research Bureau shows.

Of the 1,026 people questioned, 33 per cent. expected things to improve, compared with 40 per cent. last month and 22 per cent. expected things to get worse, compared with 14 per cent.

The shift was most marked among ABC1 men, where confidence had been highest, and least among C2DE women.

The highest positive reply to a special question on what consumers would do with a pre-Christmas tax rebate, was that the money would be spent on Christmas presents.

About 20 per cent. gave this answer with the result being influenced by replies from the North East and Scotland.

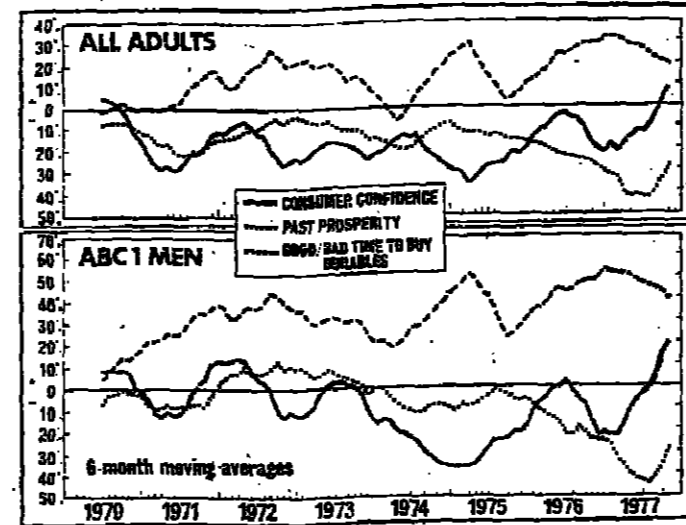
An overall 12 per cent. said they would use the money to pay bills and 18 per cent. of ABC1 men gave that reply. About 25 per cent. particularly the over-55s and the C2DE women, said that they did not expect to receive a rebate.

The main reason for pessimism—unions and strikes—increased from 12 per cent. last month to 47 per cent. this month.

But the Government came more into the reckoning with 18 per cent. worried about its influence compared with 14 per cent. last month and a low of 10 per cent. in August.

More people consider it is a good time to buy major items for the house, but there has been a fall to 43 per cent. from 48 per cent. in July, 47 per cent. last month and 45 per cent. last September.

While the C2DE buyers have always been less enthusiastic



than ABC1, it was the fall in confidence about "time to buy" among the ABC1 buyers that was mainly responsible for the fall. There was a rise of 5 per cent. among C2DE women.

Fear of unemployment is receding, although an overall 30 per cent. feels that it has yet to rise. In July the figure was 40 per cent. which has steadily fallen away.

There is much more optimism in the Midlands and Wales while in the North East and Scotland opinion is concentrated on being sure that things will become worse or equally sure that they will improve.

There was a small rise in the number of families who felt

worse off than a year ago. They registered 55 per cent. in June and fell monthly to 42 per cent. last month only to rise again to 44 per cent. Those who felt better off than 12 months ago were steady at 22 per cent.

The most marked deterioration in the feeling that they were better off was among the 15 to 24 age groups. There was a jump from a balance of 5 per cent. being more pessimistic last month to 14 per cent. more being pessimistic this month.

It could swing back just as quickly whereas the balance of pessimism among the 35 to 55 age groups is steady at about 30 per cent.

# New Lancashire spinning mill will be first for 50 years

BY RHYS DAVID

**THE FIRST** spinning mill to be built in Lancashire for more than 50 years is due to be opened in March by Carrington Viegala, one of Britain's big four textile groups.

The mill, which is being equipped with spinning machines made by Platt Saco Lowell, the U.K. textile machinery manufacturer, will have an output of 45,000 kilograms a week and will supply a large part of the spun yarn requirements of Carrington Viegala's Dorma household textile division.

The project, costing about £8m., comes at a time when more closures have been taking place in the past few months in the already heavily depleted Lancashire cotton spinning sector.

Carrington Viegala hopes that the investment will enable it to benefit from economies available through the use of highly automated, modern plant.

The mill at Atherton, near Leigh, will replace two existing mills at Stockport and Leigh and will produce about the same

quantity of yarn with a much lower labour force. A total of 95 people will be employed at Atherton compared with 490 at the existing plants. Some transfers will take place and working conditions for the smaller labour force will be greatly improved, Carrington Viegala says.

The company believes that the move will enable it to produce yarns comparable in cost with

overseas yarns and with the prospect of a growing competitive edge, as labour and other costs increase in the main cotton yarn exporting countries in the Far East and the Mediterranean.

Use of new equipment in purpose-built surroundings will enable higher standards of quality control to be maintained than is possible with dependence on imported supplies.

# Mortgage rate may be cut

BY JOHN LLOYD

**THERE** is likely to be a further reduction in the mortgage rate later this year or early next. This was forecast by Mr. Norman Grigg, secretary-general of the Building Societies' Association, in a letter to Mr. Roderick McFarquar, MP for Belfast.

Mr. Grigg added: "Building societies are receiving funds

from the public at a high level, and putting this into total into the mortgage market could, if continued, have an unfortunate repercussion on house prices."

Mr. McFarquar pursued this theme in a letter to Mr. J. Barnett, Chief Secretary to the Treasury, complaining about the "niggardly" rise in the societies' outgoings.

Consumer spending has begun to recover and will be spurred on by the pension increases, tax rebates, pensioners' bonus, increase in child allowances and a cut in income tax rates next year.

Charterhouse forecasts growth in excess of 4 per cent. in real terms, but says public sector spending will be held down, with output as a whole rising by 3 per cent.

Companies should take advantage of the present low level of interest rates, as the report advises short-term rates are expected to rise next year in response to rising demand for funds. Long-term rates are unlikely to be affected to the same extent.

# Consumer spending increase forecast

A DECLINE in exports but increased consumer spending in real terms and a brighter future for smaller businesses, are among forecasts made by the Charterhouse group in its quarterly economic review published today.

The group's Business Forecast says cost and price inflation are declining fast, wages are expected to rise by about 14 per cent. next year and prices by 11 per cent.

However, the country's inflation rate is likely to exceed the average rate of competing countries so that the profitability of U.K. exports and the U.K.'s share of world markets must be expected to decline.

At the same time, the report argues, imports will increase, creating new problems for manufacturing industry and employment prospects. Profit margins on exports will decline but will improve on domestic sales with a 17 per cent. overall rise in gross profits of 6 per cent. in real terms.

Consumer spending has begun to recover and will be spurred on by the pension increases, tax rebates, pensioners' bonus, increase in child allowances and a cut in income tax rates next year.

Charterhouse forecasts growth in excess of 4 per cent. in real terms, but says public sector spending will be held down, with output as a whole rising by 3 per cent.

Companies should take advantage of the present low level of interest rates, as the report advises short-term rates are expected to rise next year in response to rising demand for funds. Long-term rates are unlikely to be affected to the same extent.

# National Savings attract £199.7m. in five weeks

BY ADRIENNE GLEESON

**NATIONAL SAVINGS** attracted large receipts last month. Net new receipts in the five weeks to October 29 were £199.7m., against only £92.1m. in the preceding four weeks.

In part the improvement reflects the attractions of National Savings media when the interest rates available on short-term investments elsewhere were still declining.

National Savings Bank investment accounts, in particular, enjoyed a big inflow, with net receipts of £55.6m.

Savings Certificate receipts rose from £24.2m. in September to £47.3m. in the five weeks to the end of October. Of that £21.7m. related to the successful Index-linked (Retirement) Certificates.

However, British Savings Bonds—which, with their tax-free basis, have particular attractions for the high taxpayer—also did well, achieving the highest invest-

ment since July 1973, at £12.5m. net.

Before crediting interest receipts, the net inflow for the first 31 weeks of the financial year has amounted to £1bn., against £206.1m. in the corresponding period last year.

Much of that increase, of course, reflects the high corporate deposits made in the late summer, when the rate offered on one-month money in National Savings Bank investment accounts was well over 10 per cent.

The heavy inflow obliged the National Savings Bank to put a £50,000 limit on the size of any depositor's holdings.

The latest figures suggest that, although the corporate depositor has been discouraged, the private saver is coming back in force. The money put into National Savings goes to reduce the Government's borrowing requirement.

# Healey misleading on pay, says Howe

BY PHILIP BOWRING

**SIR GEOFFREY HOWE**, Shadow Chancellor, has accused the Government of a "conspiracy of concealment" over the true level of recent pay settlements.

He said yesterday that the Prime Minister and Mr. Denis Healey, Chancellor, were trying to disguise the fact that the 10 per cent. guidelines were being exceeded in "probably the majority of cases."

Sir Geoffrey told a Young Conservatives' conference in Bournemouth that output prices were far from as bright as they might appear.

"The pay bargaining that is now taking place is likely to be an inflationary time bomb at the heart of the economy," he declared.

Ministers had allowed the 10 per cent. increase in earnings formula to become a rigid standard, he said. But if the total national pay bill were held at that level, average

pay settlements would have to run at five to six per cent.

Mr. Healey and his colleagues have recklessly allowed that message to be increasingly disregarded, Sir Geoffrey said.

The Government are sowing the seeds of another round of disillusion. And they have deprived themselves of any opportunity with which to restore fundamentals and remove anomalies.

The "fremen's anguish" is the direct consequence of the appalling lack of candour," Sir Geoffrey said.

Mr. Margaret Thatcher, Conservative leader, reaffirmed in an BBC radio interview that there would be no Tory support for strikes called to back pay claims.

"I have never supported a strike to get more money and never will," she said. "I do not believe you should get more money just because you have got industrial muscle."

# Ireland and U.K. unite on EEC fish demands

BY OUR OWN CORRESPONDENT

**EEC COMMISSIONERS** and European fisheries Ministers face a more united approach from the British and Irish Ministers in the coming battles over fishing rights in coastal waters, according to Mr. Brian Lenihan, the Irish Fisheries Minister.

The next meeting of EEC fisheries ministers takes place in a fortnight. Representatives of fishermen's organisations from England, Scotland, Wales, Ulster and Eire met in Dublin at the week-end and they too agreed on a common front in the search for a 50-mile limit for Britain and Ireland—whose

waters contain 80 per cent. of the Community's fish.

Last year the Irish were angered by what they saw as the British tactics of watching from the sidelines as they fought the battle for a coastal band.

This new unity of approach may have been prompted by a significant shift in Eire's fisheries policy since the new Dublin Government took office earlier this year.

Mr. Lenihan no longer talks about a 50-mile exclusion zone, which is still the demand of the fishermen, but of a 50-mile "control zone."

# Concord opens New York service this week

By Michael Donno, Aerospace Correspondent

**CONCORDE** takes another step forward this week when it begins regular flights with British ways and Air France to New York from London and Paris.

On December 9 the aircraft start regular flights to Singapore, Bahrain, in the colours of British Airways and Singapore Airlines.

These new developments, far as British Airways is concerned, will help to raise annual use of its Concordes from the present one-and-a-half hours a day for each aircraft to about four hours—a big step towards the target of seven-and-a-half hours a day by the end of the year.

British Airways regards as essential before the aircraft can make profits.

Fares on the New York route will be £982 return (£431 single) or 20 per cent. above normal fares for the same route.

These fares have been imposed by other airline-members of International Air Transport Association to safeguard traffic in airlines which do use Concordes.

## Daily services

To begin with British Airways will fly Concordes twice a week to New York on Tuesdays and Sundays.

The flight will be raised to four flights a week in January and six a week in February, as more pilots trained for the aircraft.

Air France, however, launched its service with Paris to New York flights.

After 10-morrow's inaugural flight, lined to ensure a daily service from New York by British Airways and Air France, the normal departure from Heathrow will be at 11.15 a.m. with a 3-hour business journey to Kennedy airport, arriving at 10 a.m. the following day.

Passengers onward come to 103 U.S. cities and "same-afternoon" arrivals should Concordes prove successful on the New York route.

Other airlines may be encouraged to either buy or lease aircraft from British Airways and Air France, and there are another five ordered aircraft on the production line for which manufacturers, British Aerospace, Versopaciale of France, are seeking customers.

# Air freight role for all airlines to

**AIRLINES** air freight orders, said charterers must learn to co-operate to stop living in fear of other. Their relationship crucial to the future of British air transport industry.

Mr. Keating, managing director of Atlas Air, told the Brighton conference of Freighters in the East during Freight Show 77.

Mr. Keating said there is a role for air freight forwarders and air charter operators did not conflict with the interests of airlines. They covered different sectors of the market.

Mr. Joe Gosdard of British Airways confirmed scheduled passenger air would never be able to match the same rates as charter operators because they have obligations to maintain schedules regardless of the volume of freight.

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# Williams & Glyn's knows there's more to a business than a balance sheet

At Williams & Glyn's we understand that a balance sheet rarely tells the whole story. Of course it's a necessary basis for discussing a lending proposition, but there will always be factors that figures can't reveal.

A business after all, is an organisation of people, not a page of computer print out. That's why we encourage our managers to meet you on your home ground; it gives them a real, first-hand understanding of your business.

And once we have the facts, we won't waste time. Williams & Glyn's is geared to arrive at decisions quickly. There is no elaborate hierarchy of committees.

Wouldn't you like a bank that knows how to look further than the figures and can act quickly? Talk to your local Williams & Glyn's manager. Or write to: Marketing Development Office, Williams & Glyn's Bank Ltd., New London Bridge House, 25 London Bridge Street, London SE1 9SX.

**Five ways to more profitable business**

- 1 Short-term Finance**  
Overdrafts can cover seasonal fluctuations in revenue and expenditure or provide additional working capital.
- 2 Medium-term Loans**  
A more formal arrangement for loans from 2-7 years for the purchase of new plant and equipment, etc.
- 3 Cash Flow Control**  
Williams & Glyn's managers are always ready to help with advice.
- 4 Instalment credit for new machinery**  
Through a subsidiary company, St. Margaret's Trust Ltd., Williams & Glyn's can provide instalment credit for the purchase of goods or equipment.
- 5 Development Capital**  
Through an Associate Company, Williams & Glyn's can provide finance for expanding private and public companies.

# Cigarette market 'in turmoil'

By John Lloyd

**THE U.K. cigarette** markets show unprecedented turmoil, according to a review of the tobacco industry published by Simon and Coates, stockbrokers.

Intense price competition is likely to persist, complete transition to the EEC tax system is due on Jan. 1 and tobacco substitutes have been "something of a fiasco."

However, U.K. cigarette exports remain competitive even after the firmer trend in sterling. Profit margins of the tobacco companies have stayed reasonably healthy.

Simon and Coates recommends that BAT Industries, Imperial Group and Rothman International look good in the long-term.



**Nilfisk**  
the World's largest manufacturer of Industrial Suction Cleaners

# Code of practice aids laundry customers

**BENEFITS** to consumers had resulted from the operation of the code of practice for laundries and dry cleaners in its first year.

Mr. Gordon Borrie, director-general of Fair Trading, said today, writes John Lloyd, when the code was introduced, complaints against dry-cleaners and laundries had decreased in the numbers of dry-

cleaners and laundries who sought to limit the amount of compensation paid when clothes were lost or destroyed.

A monitoring exercise carried out by the Office of Fair Trading showed that since April last year, when the code was introduced, complaints against dry-cleaners and laundries had decreased greatly.

# IF YOU SMELL GAS-RING US

If you smell gas, remember the simple safety rules—

- \* Don't smoke or use naked flames.
- \* Don't operate electrical switches—on or off.
- \* Do open doors and windows.
- \* Then check that you haven't left the gas on and unlit—or that a pilot light has not gone out.

If you suspect a gas leak, turn off the supply at the meter—and report the leak. Do this at once.

The number's in the telephone directory under Gas—and we're on call 24 hours a day.

We'll come quickly and deal with the problem. And if you smell gas at work or in the street, please report it at once. Don't leave it to someone else.

**WE'RE HERE TO HELP YOU—24 HOURS A DAY**

Ask at your local gas showrooms for our free booklet *Help Yourself To Gas Safety*, which describes the full range of services we provide.

**BRITISH GAS**

# WILLIAMS & GYLN'S BANK LTD

The most flexible of the big five banks

A member of the National and Commercial Banking Group and one of the Inter-Alpha Group of Banks.



Entertainment Guide

These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET... THEATRES... OPERA & BALLET... THEATRES... OPERA & BALLET... THEATRES...

LABOUR NEWS

Battle looms on secret ballots

BY OUR LABOUR STAFF

THE SPECIAL rules revision conference of the Civil and Public Services Association heavily rejected an attempt at Southport yesterday to change the structure of the union's annual policy-making conference.

Extra Leyland shifts to clear Rover backlog

BY OUR MIDLANDS CORRESPONDENT

EXTRA SHIFTS are being put on at Leyland Cars, Solihull, to clear a backlog of more than 3,000 Rover saloons.

Inquiry into bank staffs closer

BY OUR LABOUR STAFF

THE POSSIBILITY of holding an independent inquiry to sort out the tangled staff representation in the clearing banks moved forward a little yesterday when Lloyds Bank group staff association agreed to cooperate with the move.

Catering employers fear sanctions over 13% pay rise

BY NICK GARNETT, LABOUR STAFF

CATERING employers are worried that they might be singled out for government sanctions over wage rises they say are outside earnings guidelines but which they will have no choice but to pay.

Appeal

Agreement has been reached that where production constraints exist in off-assembly line to bring back pay research units, which compare civil servants' pay with rates in industry generally—but only from 1970.

Assignments

As a result of the strike production of Dolomite and TR sports cars—best sellers in the U.S.—has dropped, with a total of 4,000 workers laid-off equally divided between Liverpool and Coventry.

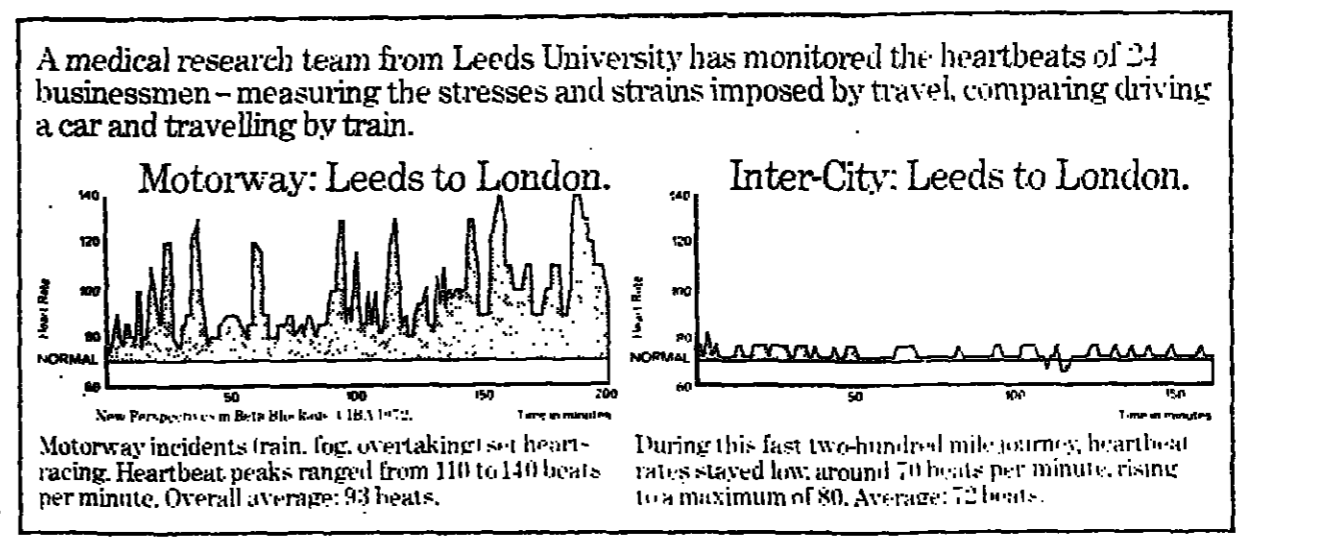
Scots bakers to merge with Shop Workers

BY OUR LABOUR STAFF

THE SCOTTISH Union of Bakers and Allied Workers will merge in January with the Union of Shop Distributive and Allied Workers, Britain's seventh biggest union.

Look what you gain when you travel by train

Advertisement for Inter-City train services. Includes images of a train, a car, and a person eating. Text: 'A chance to do better business face to face. Faster travel. Greater comfort. A hot meal, a drink or a snack on most trains. A car at the other end (at over 60 stations). Stress-free travel. When you travel by Inter-City, you can forget about your problems. You won't hit any traffic on the way. You get time to have a meal, catch up with work and relax in real comfort (in fact, more than 50% of Inter-City trains are now air-conditioned). It all adds up to one thing: travelling Inter-City makes good sense. And good sense makes good business. So go Inter-City soon.'



Motorway: Leeds to London. Inter-City: Leeds to London. During this two-hundred mile journey, heartbeats stayed low, around 70 beats per minute, rising to a maximum of 80. Average: 72 beats.



Inter-City makes the going easy



# Building and Civil Engineering

## Cementation to sink £8m. shopping centre more shafts

WORK has just begun on the site of two shafts which are to be sunk by Cementation Mining at the National Coal Board's new mine project at Selby, Yorks.

The company is already working on two shafts and two drifts (for bringing coal to the surface) under an earlier award and the latest contract south of Riccall, worth about £10m, probably brings the total value of work now being undertaken at Selby by Cementation Mining to about £30m.

At Riccall, the shafts will be concrete lined and each will have an internal diameter of 24 feet and a depth of about 2,630 feet.

As on shaft sinking operations already under way at Wistow and Gasgoigne Wood, water will have to be sealed off and this will be done by Foraky by Riccall, worth about £10m, probably brings the total value of work now being undertaken at Selby by Cementation Mining to about £30m.

It is expected that the work at Riccall will take three years to complete.

STAINES in Middlesex is to get planned for late 1979 in time for a big new covered shopping Christmas trading. The contract centre. The £8m. contract for its construction has gone to Sir Robert McAlpine and Sons.

The centre will provide 250,000 square feet of retailing space on a seven-acre site and will include a multi-storey car park with lifts giving direct access to the shopping malls.

McAlpine says work is to start immediately with completion

## Moves coal and coke

EXCEPTIONALLY large materials handling contracts, worth a total of more than £3m, have been secured by Fletcher Sutcliffe Wild (Booker McConnell group).

Pride of place goes to the £1.2m. merry-go-round rapid loading system which the NCB is to have at Rawdon colliery for the filling of trucks with coal for power stations. The system will be designed, manufactured and installed by FSW.

A similar but smaller scheme, worth £1m, for Oakdale colliery also requires the construction of a 750 tonne capacity steel bunker, and associated handling equipment.

For BSC Scunthorpe, FSW will provide a £1m. coke handling conveyor system, able to handle 355 tonnes an hour.

The company is also supplying a £109,000 conveyor at BSC Redcar to replace a unit damaged by fire.

## Conductive concrete

SOLVING MANY of the problems of providing power and radio frequency earthing for radio, TV and radar transmitters, computers, etc. is a conductive building aggregate developed by Marconi Communication Systems and intended to replace, say, sand in concrete mixes to produce a conductive structure—floor, wall, screed, etc.

can be extended without more ado as the work progresses. No special laying skills are required.

Uncompacted bulk density of the material at 500 kilos per cubic metre is about half that of conventional aggregates.

Packaging will allow batching by weight rather than volume.

More from Marconi House, Chelmsford CM1 1PL. 0245 8321.

Marconite can be used to produce materials with normal compression strengths having a range of predetermined resistivity values. This means that it is extremely versatile in its applications, some of which have not yet been explored experimentally.

For instance, it is possible that Marconite materials could serve as permanent electrodes for impressed cathodic protection systems.

Developers indicate that use of the material in a structure is a welcome alternative to the provision of conventional earthing or screening, which, depending on the type of equipment and the objectives to be attained, can be complicated and lengthy, sometimes resulting in unexpected interference effects.

Marconite can be used as a simple earth plane in the form of a floor screed which will provide earthing and screening and

## £17m. naval base additions

ARCHITECTS and project managers for the fourth phase of the landward side of the partially completed naval base at Qatir in the Gulf are to be SBT Middle East, the overseas practice of Scott, Brownrigg and Turner.

It is understood that this stage of the development will include major building operations, provision of extensive sports facilities and landscaping. Estimated cost is £17m.

Quantity surveys will be Lanndon and Ewary (Arabian Gulf) with Phillips Consultants as structural engineers and Donald Smith, Seymour and Rootley Overseas Partnership as mechanical and electrical engineers.

SBT Middle East has also been commissioned to design the new operations headquarters for the base. The building will be constructed in the dockyard area where Rankine and Hill is project manager and engineer for the installations.

The building, which will cost about £700,000, will have two floors and give the signalling officer a 270 degree clear sighting plane. The roof will be used as an additional observation platform.

## £3m. awards to Tilbury

TWO contracts, together worth about £1m, have just been won by Tilbury Construction.

The largest is for the Royal Borough of Kensington and Chelsea and calls for the construction of 132 dwellings at Tavistock Crescent, London, W.11. Twelve 4-storey blocks of flats are to be provided with car

parking areas and landscaping. Architects are H. T. Cadbury Brown and John Metcalfe.

The second contract, on which work is due to start on January 4, is for the London Borough of Hillingdon and includes 38 dwellings and an old persons home. Hippen, Randall & Parkes are the architects.

## Laboratory project

PROJECT management of a new research and development laboratory for the Hickson Group on a site within the present boundary of its factory and offices at Castleford, Yorks, is to be undertaken by White, Young

and Partners of Leeds.

The building will be steel-framed and brick clad, with precast concrete floors on piled foundations. Total floor area will be 3,000 square feet. Cost of the project will be about £280,000.

## Rippin win in Mid-East

TEN PLANTS to house a variety of industries are to be built under a £1m. contract awarded to the Rippin Group of Auchtormuchty, Fife. Expectations are that this is the first phase of a three-phase development so that two similar sized contracts will be placed before the end of the first quarter next year.

Rippin is a comparatively small unit so far as civil engineering is concerned, but there are 12 companies in the group with a certain amount of cross-help available.



## Lift truck for rough terrain

FAST SHIFT to forward or reverse, and easy selection of two- or four-wheel drive are two of the control advantages offered on a fork lift truck for the agricultural and construction industries.

Capacity is 2,500 kg. at 500 mm. load centres, and the mast has a side shift facility. Powered by a Perkins 46.5 hhp three-cylinder diesel, the truck's transmission is designed to apply equal torque through both axles. Top speed on the road is 20 mph, and the machine can climb a 33 degree grade. Drawbar pull is 5,100 kg. Twin ram hydrostatic steering, design of the steer axle, high ground clearance, rotation tyres, and the four-wheel drive, all contribute to rough terrain manoeuvrability. Controls are "hand drop" positioned, and mast operation is controlled by a "dead man's handle".

Optional attachments include a range of three-stage masts, and implements for the construction and agricultural industries.

More from Bomser Engineering, Giltbrook, Nottingham, NG16 2TX (060743 3251).

## River bed protection

UNDER a £7m. sub-contract awarded by the Costain-Tarmac-HBM joint venture, HAM Dresden and an associate company ACZ is to carry out river-bed protection and dredging work at the Thames Barrier, Woolwich, London.

The work, which starts soon and is to be carried out in phases over the next four years, will include the laying of mattresses on the dredged river bed and placing of about 200,000 tons of stone. Consulting engineers are Rendel Palmer and Tritton, London.

## Housing by Laing

JOHN LAING Construction has won a £550,000 contract to build 50 homes at Reading Road, Farnborough, Hants., for the Thames Valley Housing Society.

Ten two-storey semi-detached and three two-storey terraced houses are to be built to blend with existing properties in the area. Behind these will be 37 in two three-storey blocks, one two-storey block plus a storey block of six flats for people. The architect is A. Stephenson.

**STEEL BARS AND SECTIONS**  
RELIABLE SERVICE in times of scarcity and plenty  
GKN(South Wales) Ltd.  
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Bright Steel Ltd.  
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0222-33033

## Transports the trolleys

SERVICE LIFTS for the vertical transport of laden trolleys have been developed by Oakl Elevators, Mandevell R Oadby, Leicesters. L22 3LL (01733246).

"Trollyvators" come in 10 models with capacities of 200 and 350 kg. The range has standard lift speeds of metres/second.

Lifts are supplied with a supporting steel structure, pre-fabricated sections, which include guides, doors etc. Structural loads are thus transferred to the base of the lift shaft. Lifting may be of 1.6mm. thick coated sheet steel, plastic-coated 1.6mm. thick steel, or an aluminised board giving two hours protection.

The steel car is lifted on roller chains, with an equaliser to balance the load. A range door type and controls are fitted, and accurate car level at each floor is provided to eliminate difficulties when using trolleys with small wheel

Details from the company's U.K. office at 51, Higher Lane, Langland, Swansea (0782 68176).

## IN BRIEF

- Midlands Division of FFA take up the manufacture of heavy roof coating compounds worth close on £1m to build a two-storey supermarket at Corby, Northants for Allied Suppliers (Properties) for completion within 11 months.
- Thomas Weatherald is to build two factories, including one at Walkerville, Catterick, for Edin Industrial Estates Corp. of 5,000 square feet and worth nearly £30,000. The second unit is at Tanfield Lea, Consett, Co. Durham and is for the Eden Engineering Co. This 4,500 square foot centre is worth nearly £35,000.
- Wolverhampton building site in Doha by Ward Bn (Sherburn). This will represent some 900 tonnes of structural steelwork for the eight structures covering a 40,000 square metre warehouse for general equipment.
- many of Sao Paulo will initially be for the Qatar Government.

# Heating Plus

The way to build homes with electric heating that makes them cheaper to construct and economical to run.

Homes that are cheaper and easier to build. And easy and economical to run. These are the big advantages of building the Heating Plus way.

What is Heating Plus? Its Electricity's name for the cost-effective combination of electric heating plus extra, integral insulation. Cost-effective for house builders, because the total installation cost (heating system, insulation, labour) can be up to 25% less than for systems using other fuels. And cost-effective for occupiers, by giving them the extra cleanliness and convenience of electric heating with the most economical use of energy.

### Flexible, controllable heat.

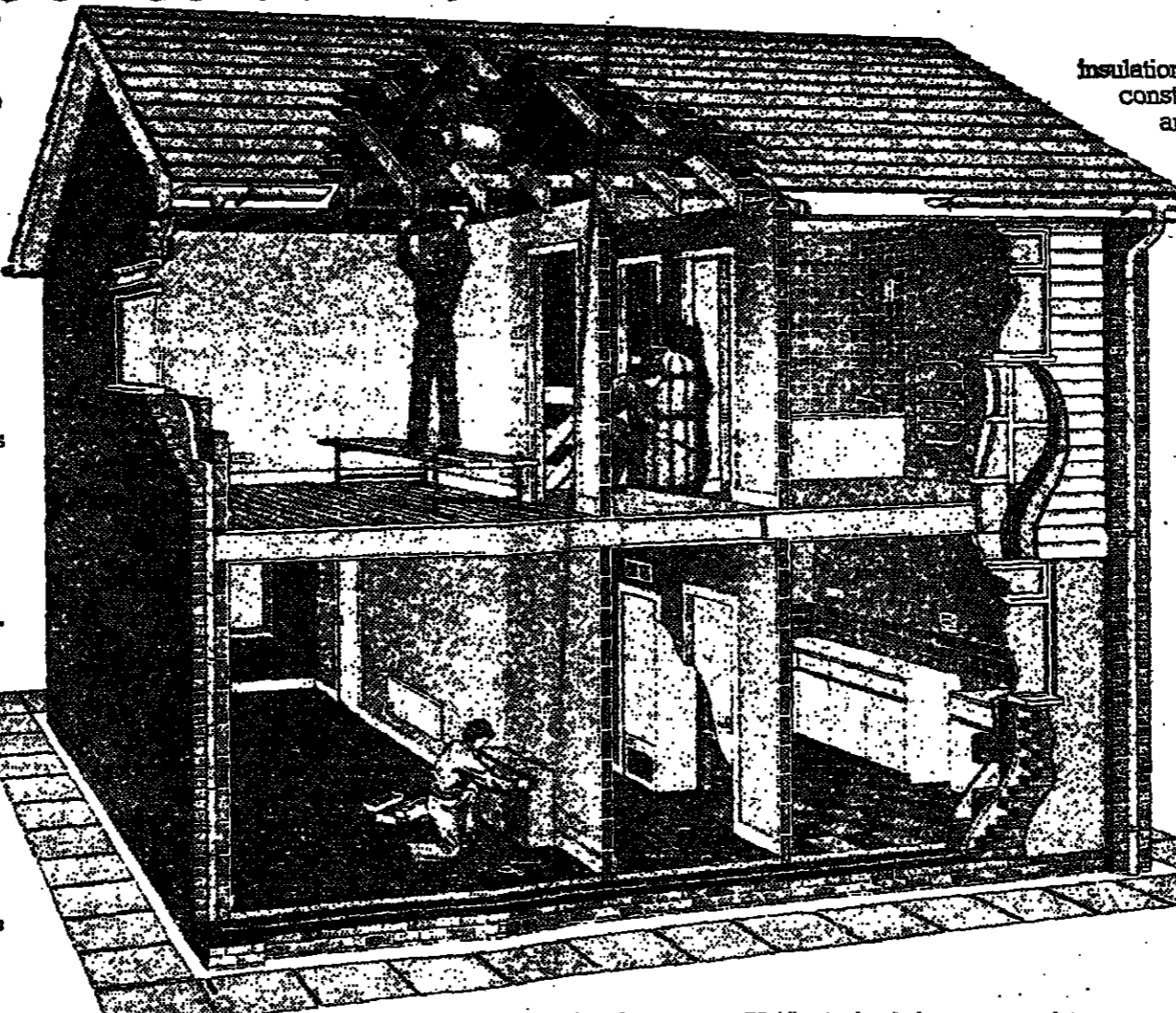
Heating Plus offers you a more flexible choice of equipment and installation options than any other fuel. Systems include radiant ceiling heating, with its quick warm-up and room-by-room controllability; Electricaire warm-air ducted heating, running on cheap off-peak rates; and electric storage radiators—the ideal 'add-on' system for growing families. No problems with fuse locations or piping runs. And each system can be regulated with easily operated time and thermostat controls.

### Clean, convenient water heating.

Heating water by electricity is the cleanest, most convenient, most reliable method of all—and Heating Plus offers a wide range of options. These include 'point of use' units for sinks and baths; instantaneous shower units; and central storage systems with two immersion heaters, to run economically on the 'White Meter' tariff.

### Extra insulation.

Heating Plus begins where the Building Regulations leave off. It provides for extra insulation where most heat would otherwise be lost. That includes additional roof



insulation. Insulated external walls—either cavity infill, or dry-construction quilting. Plus further options such as double glazing and door and window draught-proofing. Yet because of the moderate cost of electric heating equipment, the overall cost can compare favourably with other systems using less insulation.

### Compare the costs.

Here's a typical example, for an 80m<sup>2</sup> semi-detached house. The capital cost of fuel-fired, piped central heating and indirect water heating, with insulation to Building Regulations, is around £750. For a system of electric storage radiators, panel heaters and water heating, plus extra cavity infill and roof lagging, the current capital cost is only around £550. And the estimated annual running costs, allowing for varying lifestyles and comfort requirements, are both within the range £140-£160.

### Plan now for Heating Plus.

Heating Plus offers you a great new opportunity to buy comfortable, attractive, economically-run homes. Your first step is to contact the heating expert at your Electricity Board. Equipment, installation, plans, costs—he can advise you on them all. Ask him for full details today.

ELECTRICITY BOARDS	
London Jim Hart 01-598 1280	South Wales Bill Carey Cardiff 798111
South Eastern Ken Hopkins Brighton 739221	Merseyside and North Wales Brian Ogden Chester, 40133
South West Ken Jeremy Littlewick Green 2166	Yorkshire David Scora Leeds 892123
South Western Ian Crichton Bristol 26062	North Eastern Derek Rowan Newcastle 275
Eastern Les Cris Ipswich 55841	North Western Ron Pitches 061 834 6161
East Midlands Andrew Jones Nottingham 269711	South of Scotland Bill Archibald 041 637 7177
Midlands John Elliot 021 422 4000	North of Scotland Tom Martin 031 325 1361

HEATING with a wide choice of electric systems:  
Ceiling heating • Electricaire warm-air heating  
Storage radiators • Point-of-use water heating  
Storage water heating

PLUS extra insulation as appropriate:  
Cavity wall filling • Cladded wall quilting  
Roof lagging • Water tank lagging • Double glazing  
Door and window draught-proofing

It's good sense to build the Heating Plus way.

**BUILDELECTRIC**  
The Electricity Council

Composite illustrations showing the full choice of Heating Plus options. Consult your Electricity Board about the best combination for your project.



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHWETTERS

## PLASTICS

### Gauze makes a strong joint

**DEVELOPED** and patented by this apparently simple technique Engineering Research and Development, but the Association, a newly properly applied, will produce a joint of joining thermoplastic joints which are stronger than provide a significant answer to the base material. It is applicable to a wide range of materials, exceptions being fibrous, reinforcing areas of weak- make renovation of components under heat and pressure. The RA is offering an advisory service in which technicians will look at what it is manufacturing and propose to do, help in the design of suitable tooling. The RA is also able to undertake manufacture of specialised equipment and production of pilot batches of a component or sub-assembly.

FERA, Barton, Mowbray, Leics. LE13 0PB, 0654.4133.

## INSTRUMENTS

### Low-power printer

**HERE** A printer is needed to provide information from a data base at precisely timed intervals selectable between 10 seconds and one hour and operating with little or no maintenance over long periods. The B&K 2312, which the company just completed developing, provides an answer.

The printer is a thermal alphanumeric with a repertoire of 64 upper case characters and internal battery drive but a plug-in battery supply option. Batteries will last up to five weeks on standby in the low power mode.

Print-out is controlled remotely or by a crystal clock and print speed is 24 characters per second. The unit accepts ASCII coded data via the proposed IEC Standard Bus.

B & K Laboratories, Cross Lanes Road, Hounslow, Middx. TW5 7TTA.

### Detects product change

**DETECTION** equipment which sense a change of product in pipeline, even when the difference in specific gravities is very small, uses a pulse of ultrasonics to detect the approach of an intruder, based either on the speed of detection that the speed of changes very considerably when petrol with no additives is petrol with a small amount of an added compound.

The emitter and receiver can be used on pipes from four to 60 inches diameter and provide a resolution of 0.5 metre second and an output accuracy of half a per cent.

Any number may be multiplexed into a single electronic controller.

Maker is the French company Ultratex, which has given an exclusive U.K. agency to Westech Instrumentation Systems, Binary House, Park Road, Barnet, Herts. EN9 5SA, 01-440 7161.

## OFFICE EQUIPMENT

### Delivers flood of mail

**STOM-BUILT**, the biggest factory mailroom machine come so far ordered in Britain is taking shape over the next 12 months at Romeo Vickers meet an exacting requirement of Diners Club.

The latter wants to streamline the handling of statements and the patch of other documents to its 200,000 U.K. members.

Part of the unit will be the

## PACKAGING

### Keeps sack stacks stable

**STACKS** of sacks filled with materials which are so finely pulverised that they round out their corners can tend to be extremely unstable.

Because of this, Uddeholm of Sweden has developed a packaging high-strength paper that is the "complete" answer to slippage during handling and stacking. It is very rough on the outside and has the usual smooth finish inside and is thus ideal for powdered substances such as cement and flour.

Uddeholm is offering this dual rough and smooth outside/inside finish as standard on all "Udd-sack" papers.

Marketing in the U.K. is in the hands of Eckman Clayco, of 17, Addiscombe Road, Croydon, Surrey CR9 6HR. 01-886 7451.

## HANDLING

### Belt weigh unit gets approval

**PATTERN** approval of its type RFA4 belt weigher, has been granted to Inbo by the Department of Prices and Consumer Protection. Approval is for a belt weigher for use for trade, with an accuracy of plus or minus 0.5 per cent over a range of flow rates from 20 per cent to 100 per cent of the maximum rated flow rate, and which meets the requirements for the Weights and Measures Regulations. These requirements are mandatory for trading in bulk materials on the basis of weight measurement determined by a belt weigher.

Criteria used in the examination and associated testing correspond closely to the new EEC regulations for belt weighers, reference 76/430/EEC.

Several installations are now in hand at locations in the U.K. and Eire, which, when completed, will provide up-to-date trading facilities suitable for both home and export transactions.

Applications in the British Isles include installations for handling materials as varied as basaltic coal, fertilizer and grain.

In addition to the trading applications, installations are already in operation handling coffee beans, iron ore and concentrates, road aggregates, sugar beet and tobacco.

Info: Belt Weighers (U.K.), 51B High Street, Reigate, Surrey RH2 9AE. Reigate 49161.

## AVIATION

### Spreads its wings to save fuel

**AIRLINES** TAKING delivery of the U.S. National Aeronautics and Space Administration. It is continuing with a £1.6m. research programme on the device.

This is part of a long programme of continual improvements to the TriStar, which have already led to new derivatives, such as the Model 500 long-range airliner ordered by British Airways, and the Model 400 for Lockheed, the TriStar's manufacturer.

"Active controls" represent a method whereby the aircraft's wings are altered to help it to fly more efficiently. The TriStar range of aircraft can be moved up or down to help the aircraft make turns or other manoeuvres) can be adjusted automatically in flight so as to shift the aerodynamic loads on the wings—for example, moving more of the load on to the stronger inboard sections of the wings. This, in turn, will enable the wings to be extended by nine feet, thus helping to reduce drag, save money and reduce fuel consumption, while giving greater stability and a more responsive overall control system, without adding any significant structural weight.

Lockheed has successfully flight-tested the device over some 80 hours, with funds from

## AUTOMATION

### Traffic scheme expands

**LEICESTER**, which in 1974 was one of the first U.K. cities to have its key road intersections and other traffic points controlled by a computer, has been joined by Loughborough in a £100,000 extension to the Leicester city control centre.

The total now spent amounts to about £850,000, and Plessey has again supplied most of the equipment. Traffic signals are switched according to fixed time plans which are computed off-line from accumulated traffic data and are selected automatically according to day and time of day.

Leicester has 13 control sub-areas and with the addition of 14 signals at Loughborough there are now 99 controlled traffic light sets and 44 pelican crossings. One of 20 possible time plans can be applied to each of the sub-areas. The original pair of Honeywell 316 computers remain: most of the new work has been in providing multiplexed lines from Loughborough

and the associated field equipment and electronics.

After three years of work the county's highways committee is convinced of the value of the system and claims a 12 per cent speed up of traffic—measured in terms of a decrease in delay times and a reduction in the number of stops—in spite of an increase in traffic volume of about 8 per cent, since the system was installed.

What this means in terms of money saved, by all concerned including drivers, is less easy to quantify. The system has for example, reduced the accident rate—and the official estimate of the overall cost to the community of a fatality is put at £30,000.

Apart from this, policing is kept to a minimum and easier access makes the city centre more attractive to business. Three more towns of the size of Loughborough could be put on the computer, and there are tentative plans for Hinckley and Coalville.

For Plessey the Leicester scheme has been something of a show-piece and there have now been 150 visiting parties from overseas. As a result an order has been obtained from Durban and negotiations are underway for a large scheme in Sao Paulo in Brazil. Nearer to home, it is understood that an order will shortly be announced from Norwich.

GEORGE CHARLISH

## METALWORKING

### High speed hardness testing

**BASED** ON a mechanically coupled motor-driven clamping and load-application mechanism, an Emco test automatic hardness tester is now available in the U.K.

Hardness value is shown both on dial gauge and by light indicators, in pre-set tolerance limits. Maximum capacity is up to 1600 tests/hr.

The machine can be incorporated into a production line, and can be fitted with three chutes, when it will automatically sort components into "correct," "too hard" or "too soft." Because the unit is spring loaded there is no inertia dynamic effect on the measurement.

Up to 8mm dimensional differences in specimens can be accommodated without adjustment of the spindle. Maximum test height is 220mm, and the machine has a throat depth of 150mm.

It will carry out all the standard Rockwell tests, and is marketed by Rockwell Hardness Testers, Sandy Lane, Stourport-on-Severn, Worcs. (02983 7628).

### CNC lathes from Japan

**FIVE** CNC lathes from Japan are being delivered to companies in the Murbhead Group. They are the first Ilegal Gemini CNC turning machines to be supplied to a British company.

Each of these machines is for small bar and chucking work, with its main drive from a 15 hp DC motor. Maximum bar diameter is 41mm and cutting length is 300mm. The spindle, which is bored 51mm diameter, has 29 speeds available from 100 to 2500 rpm—optimum cutting speed is automatically selected.

The turret carries 12 tools, and a microscope setting gauge enables even unskilled operators to set tools to within 0.001mm.

Marketing in the U.K. is by N. C. Engineering, 26 Benskin Road, Watford, Herts, WD1 8NW (Watford 24396).

## PROCESSES

### Animal feed from waste

**EFFLUENT** FROM confectionery manufacture can be treated in a plant developed by Farrow Effluent Engineering to produce protein that can be used in compounding animal feed-stuffs.

The effluent, which contains a high proportion of carbohydrates, is treated with a yeast culture to produce single cell protein.

The process comprises a balancing tank to receive flows discharged from the factory, followed by nutrient addition, pasteurisation, or sterilisation as required, prior to injection into a selected culture fermentation process under controlled pH and temperature conditions. The culture converts the soluble substrate, reducing the chemical oxygen demand (COD) of the effluent and making it suitable for discharge.

The single cell protein is recovered from the effluent and dried. It is stated to be of similar feed value to soya bean meal and other protein additives.

Details from Farrow Effluent Engineering, Horseshoe Road, Spalding, Lincs. (0775 3764), a Tate and Lyle Engineering Company.

## COMPONENTS

### Micros on the boil

**MOTOROLA** has developed a version of its 6800 microprocessor which, together with essential supporting devices, can be operated at temperatures as high as 125 degrees C or down to minus 55 degrees C.

The support chips are a static RAM and peripheral and communications adaptors.

It is intended to add other devices to the new series, prototypes of which are already under test in satellite communications and military applications.

Meanwhile, Plessey Microsystems reports rapidly growing interest in Germany for its high-speed microprocessor, the Miproc 16.

## IN BRIEF

For applications such as relays, lamp drivers, small motor controls and drives for larger thyristors, Motorola has a new series of silicon controlled rectifiers MCR100. They are sensitive to a gate trigger current up to 200 microamps, will pass 800 mA and are supplied in six ratings of peak reverse blocking voltage. 01-902 8836.

Ltronix has announced seven-segment numeric LED displays which are priced between 30 and 40 per cent below available equivalents. This D800 series has a half-inch character height and is available in 14 and 2 digit versions. 0462 56322.

Sasco is now offering the International Rectifier range of high speed fuses for the protection of semi-conductor devices. They depend for their operation on a pure silver element formed with a series of necks to ensure a quick break with no possibility of reforming. More on 0293 28700.

## MATERIALS

### Cleans up castings

**WHITE** corrosion on aluminium diecastings is a problem in the metal finishing industry. However, experiments carried out on a number of corroded aluminium diecastings at research laboratories belonging to Osro show that the problem can be solved.

Osrobrite AL 15 is a chemical which will remove the white deposit and leave a clean casting which is passivated at the same time.

Osro, Trubro House, Mark Road, Hemel Hempstead, Herts. Hemel Hempstead (0442) 42181.

## Film stops corrosion

**OIL-RESISTANT** polyvinylchloride 0.300 mm gauge film has been developed as anti-corrosive packaging for components requiring prolonged shelf-life. The film is guaranteed for a minimum life of five years.

Made by Wallington Weston and Co., of Frome, Somerset (a Marley company), the film is marketed by Autopruf, Bodmin Road, Wyken, Coventry (0203 512318).

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## CONTRACTS AND TENDERS

### Guanos y Fertilizantes De Mexico, S.A. (Guanomez)

#### Invitation for Prequalification to Bid for Design and Supply of Fertilizer Works

1. Guanos y Fertilizantes De Mexico, S.A. (Guanomez) intends to construct a fertilizer manufacturing complex at Lazaro Cardenas, Michoacan, Mexico including the following facilities:  
Area 1: A 504,000 tons per year (TPY) sulfuric acid plant using elemental sulfur as raw material.  
Area 2: A 198,000 TPY phosphoric acid plant.  
Area 3: A 210,000 TPY nitric acid plant and a 270,000 TPY ammonium nitrate plant based on liquid ammonia supplied by Petroler Mexico, S.A. (Pamer).  
Area 4: A 275,000 TPY diammonium phosphate plant and a 250,000 TPY complex fertilizer plant including four grades: 17-17-17, 20-10-10, 16-20-0 and 15-30-15.  
Area 5: All utilities and services and storage facilities required for the operation of the above units; and including port and ship loading facilities to be constructed adjacent to the project site.
2. Guanomez wishes to enter into contracts for each of the above areas 1 to 5 to include provision of process license, basic engineering design, supply of all equipment a portion of which would be obtained within Mexico, procurement services for bulk materials and supplies, coordination of construction and site supervision of construction (both to be performed by Mexican Companies at Guanomez cost) on a reimbursable basis.
3. Guanomez wishes to enter into a contract for area 5 inclusive of basic engineering design, foreign procurement services and construction coordination on a lump sum basis and site supervision of detailed engineering, local procurement and site supervision of construction (all to be performed by Mexican Companies at Guanomez cost) on a reimbursable basis.
4. Guanomez has applied for a loan from the International Bank for Reconstruction and Development (IBRD) for the project and intends to apply the proceeds of this loan to eligible payments under the contracts for which this notice is issued. Payment by IBRD will be made only at the request of Guanomez in accordance with terms and conditions of the loan agreement. Purchases will only be made from the member countries of IBRD and Switzerland.
5. Firms interested in being invited to bid for one or more of the five contracts as above are invited to submit in English evidence of their qualifications and experience and the additional information listed below:  
A. 1. Experience in design and construction of similar plants over past ten years.  
2. Annual reports for past two years showing financial statements.  
3. Outline of organization of the firm and numbers and types of employees.  
4. List of contracts presently being handled.  
5. Reference list of projects completed and clients.  
6. Description of manufacturing facilities if any.  
B. 1. Description of process and plant offered.  
2. Complete list of all equipment items included within battery limits or designated plant area.  
3. Estimated time for completion of construction of facilities from award of contract.  
4. Estimated erected cost for battery limits production units.  
5. Typical specific consumption of materials and services for battery limits production units.  
C. A statement indicating the firm's willingness to bid on lump sum basis as described above.  
6. Guanomez reserves the right to verify all statements and inspect applicant's facilities to confirm the ability of the applicant to perform the work described and reserves the right to reject any prospective firm without assigning any reasons therefor.  
7. Principal factors that will be considered in evaluating bids from prequalified firms will be price, quality of goods and services offered, operational maintenance and installation costs, performance, guarantee, delivery and completion schedules, terms of payment, etc. as specified when requesting bids.  
8. Firms who have not previously designed, supplied and constructed similar plants should not apply.  
9. Interested firms should submit their prequalification applications to:  
Guanos y Fertilizantes De Mexico, S.A. Morana No. 804  
Colonia Narvarte Mexico City 12, D.F. Mexico  
Attention Lic. Jose Estrada Ojeda  
So as to be received no later than December 15, 1977.



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# The battle nobody wants

THOSE OF THE 700 miners at Bedwas colliery outside Cardiff who bothered to read the Miner, the official journal of the National Union of Mineworkers, were told last month that the incentive scheme then proposed by the Coal Board was a chance to "loosen the wages corset."

Having seen the scheme chucked through the window by national ballot, miners up and down the country have been pondering whether they will have the will and the need to rip the corset to shreds.

Bedwas, in line with the South Wales area, voted by a large margin against the incentive scheme and is putting its shoulder behind the NUM's declared target of up to 90 per cent wage rises.

Interviews with miners at the colliery suggest, however, that although the pitmen generally have the stomach for a long bruising battle with the Government over pay, the prospect fills them with loathing.

What is more, at least according to many Bedwas miners, including many who voted against the incentive scheme, it would not take anywhere near what they are publicly aiming for to arrive at a position where, albeit grudgingly, they would accept what was on offer.

That some form of package involving real pay rises well over 10 per cent might have to be justified within Government guidelines is worrying enough for Ministers and Coal Board officials.

It would be an even grimmer prospect if the national 55 per cent vote against the incentive scheme was a reflection of deep-seated hostility to anything but enormous flat wage rises. That, however, does not appear to be true.

The way the scheme was presented by some area union officials and confusion over what it really meant was one, if not the main, reason why it was voted out.

The scheme offered £23 a week and more for facemen, less for other grades, providing pit-based production targets set locally were met.

"When we had the meeting on it, the area official wouldn't even discuss the individual points," one Bedwas miner said.

"Half the men here didn't even read the Miner to get the details. Some even thought their jobs would be downgraded, which is nonsense."



Miners at Bedwas... "We remember the rat race."

NUM officials, who were exhorting their members to throw out the scheme, were playing on real fears and suspicions.

"As far as most of the men are concerned, anything like this smells of piece work," said Ken Jones, the union's lodge secretary at Bedwas.

"I can remember when it was a rat race on the faces. It was pathetic seeing a man of 50 trying to keep up with a fellow half his age."

Most men at Bedwas, though, had little or no taste of the piecework system which was killed by the National Power Loading Agreement in 1969, but had been dying long before then.

Those that did, remembered it with distaste.

The NUM national executive and the Coal Board straggled the national incentive scheme did not have the connotations of the old piecework system. The targets would be realistic with production targets set locally by agreement with the colliery manager and NUM officials.

Among the Bedwas miners, however, is a strong current of suspicion about the Coal Board's intentions.

"We have been in the money for a little while and then they've tightened up; when the steam had been taken out of our wage claim," was a "not uncommon feeling."

One reason why the miners in South Wales voted so solidly against the scheme was a traditional loyalty to the area executive which in this case had been recommending rejection.

Another was the region's geological problems. Given that many miners appeared to be worried about whether it would mean much to their pockets, anything which might prevent targets being met would naturally weigh heavily.

"There's no such thing as a free lunch," said one miner.

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"There's no such thing as a free lunch," said one miner.

In spite of the South vote, Mr. Weekes believed under favourable conditions including "open publicity free vote"—the Coal Board could still sell local incentive schemes to most pits even area.

Of course it's one thing to say this, it's another doing it. The Coal Board has already had two national attempts—1973 and 1974—fail.

According to NUM figures for 1976-77, average earnings for South Wales were £74.73, compared with £74.73 in South Nottinghamshire at £74.73.

Many of these pay differences result from varying rigidities in the way special allowances are paid and the amount of time pit managers offer.

Some of it reflects uncompetitive schemes operating, particularly in the Midlands.

## Allowances

The Coal Board manager in South Wales might be expected to look at the way wages are paid and would have to be in a position to show that there were real signs of productivity.

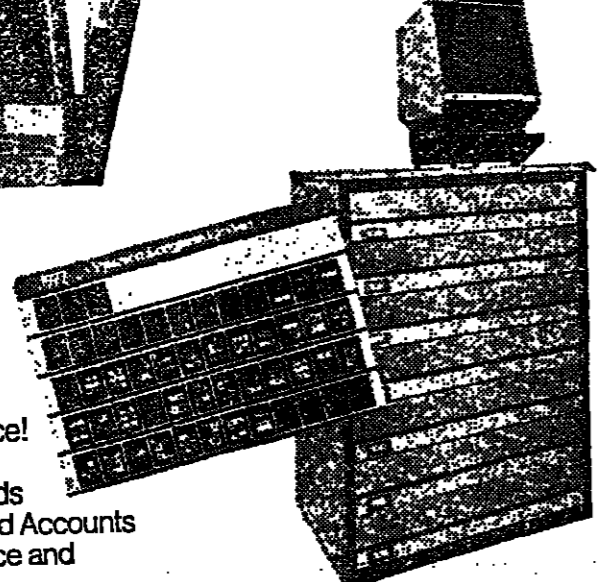
Mr. Phil Weekes, the Coal Board's South Wales area director, does not believe that a "desirable flat pay deal" would have much long-term effect on productivity.

Nor does he share the view of some NUM officials and some colliery managers that a 10 per cent deal packaged with a few improved fringe benefits will satisfy the miners or the country's appetite for coal.

Local incentive schemes or a national incentive scheme, together with improved technology are the three main developments the Coal Board points to which would have a significant long-term effect on productivity.

The Right-wing of the executive is examining it of a more widespread system of local incentive deals, possibly a national framework. If all that comes a croup Government might still be on a path of confrontation with the miners next year.

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مكتبات الأصيل

George's Sailors after the



# The Executive's and Office World

Sue Cameron reports on industry's love-hate relationship with the media

## How to upstage your competitors

OR managers tend to know and care less about the public relations, but they turn quite nasty if an colleague is given the job of speaking over the company's name on television.

This is a situation that always arises however self-facing the rest of the Board may be. Prepare yourself for it if you are chosen as spokesperson from day one by maintaining a good internal relations programme.

Mr. Watts claims that many top managers in U.K. companies are either ignoring public relations altogether or else regarding it as yet another chore—and a low priority one at that.

The media course offered by AVP is said to be able to stop people making these basic mistakes. It lasts only two days but Mr. Scott-Job says the improvement in the students' television performances is marked.

considering its length. Yet Mr. Scott-Job says AVP's profit margin on the courses is not particularly high. He points out that there are never more than six people on each course, that proper studios are used as opposed to what he calls "toy town cameras," that staff-student ratios are high and that the fees of journalists such as the BBC's Sue Lawley, who puts the executives through their paces, also have to be met.

The main emphasis of the course, which covers dealings with the Press and radio as well as television, is the general ability to communicate, rather than on pure interviewing technique. It is hoped company executives will apply some of the lessons they learn to their dealings with employees as well as to the media.

"Management is only just beginning to be aware of the importance of good communications," Mr. Scott-Job says. "At present when company executives and trade unionists appear together on a television programme it is invariably the union representatives who come over best. This is because their training and careers have involved them in speaking at meetings and standing up on platforms and putting their views across."

Students watch and listen to playback of their interviews and their performances are rigorously criticised. But Mr. Scott-Job claims that even those who are never going to be TV "naturals" leave the course feeling they have reached the point where they could cope adequately if they had to do so. The course costs £350 per person which seems expensive

**"Management is only just beginning to be aware of the importance of good communications. When company executives and trade unionists appear together on a television programme it is invariably the union representatives who come over best"**

company spokesmen should be chosen by outside consultants or observers who will be able to make an objective choice, says the author, Mr. Watt, who is himself chairman and chief executive of a public relations company.

until the same audiences until recognition of the company name flashes in the recipient's mind as a subconscious image. To achieve this, an industrial or commercial organisation needs to make co-ordinated use of Press, radio and television stories, of seminars and public appearances, of sponsorship, of by-lined articles, patronage and the membership of trade bodies, plus any other available channels of communication.

director of Audio Visual Programmes, a company that runs courses on meeting the media for senior businessmen, also believes that many top managers fail to use television, radio and the Press to the best advantage. He points out that one minute of television advertising time, networked during a peak viewing period, costs £30,000. On the same basis, three minutes of editorial time would cost £90,000 although it is not for sale. Yet all too often, says Mr. Scott-Job, companies turn down the chance of £90,000 worth of free television time. Their senior managers simply refuse to appear on a programme.

Sometimes they are just plain scared—they think the interviewer will be out to get them—and sometimes they do not recognise the potential of a radio or TV interview and the opportunity it offers to influence an audience of millions. Mr. Scott-Job says that even when top industrialists do agree to appear on television they often make a hash of it because they have had no training or experience in that particular media. He explains that one of the commonest faults among raw interviewees is for them to come out with a string of jargonised gibberish that will send viewers rushing off to make the tea or switching over to the other channel. Those who do not fall into this trap are likely to go off at a tangent or spend too much time talking about

### on-starters

n elementary course of this frequently weeds out the tarders in an obvious way," book says. "The chairman his prime who is deterred to stay in the public eye a terrible shock when he is through an intensive cross-examination on the company's affairs in simulated studio lights and then sees the playback."

Watts goes on to point that the regular exposure person to the outside world is still likely to produce a reaction from colleagues 100 miles away that brings out the exultations. "Yet the impact of a face to face confrontation with leaders of your own industry could be more important in marketing terms than a two minute comment on television that passes by your largest audience because it ran too early in the evening."

Mr. Watts also points out that good public relations begins at home. He says that if the level of understanding and enthusiasm is high within a company then the chances are that every employee will become a "walking, talking active public relations officer."

Mr. Watts insists that public relations must be as much about "the message" as about the methods used to put it across. He believes it is better for managers to think about public relations early on in their decision-making process than to make up their minds on a particular aspect of company affairs and then call in the public relations director to present their decision in the best possible light.

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## Coping with industrial change

WEST GERMAN companies cope with major industrial changes more easily than their British counterparts because of the co-operation they normally receive from statutory works councils. This is one of the chief findings of a comparative research project financed by the Anglo-German Foundation for the Study of Industrial Society.

The researchers made case studies of a number of British and German concerns which had successfully managed a large scale change — such as the closing down of a plant. Among the U.K. concerns which took part were the National Coal Board, Debenhams, Bowater, the Financial Times, Harris and Sheldon and British Steel. The case studies in Germany covered steel and mining companies, a motor manufacturer and a department store.

Their disabled  
Their pensioners  
Their widows  
Their children

It was found that British management was generally reluctant to inform employees of plans for change at an early stage. And the case studies suggested that U.K. managers were so worried about union opposition that they often avoided change altogether.

The research report describes the British style of managing change as an "adversary" one. It notes that in the U.K. changes nearly always have to be operated through a single industrial relations channel — the trades union. Yet it is also the unions which are responsible for collective bargaining and have the power to call strikes. The report says that all too often arrangements for outting through industrial changes are looked on by the unions as yet another part of the collective bargaining process.

In Germany, on the other hand, plans for change are put through individual company works councils. These bodies, which are set up under German law, have no powers to call a strike and they do have a commitment to their business.

At the same time German management has a statutory duty to provide works councils with a certain amount of company information. As a result, despite the conflicts that do arise between German managements and works councils, plans for change can normally be worked out and agreed in a spirit of co-operation.

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### EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## Blind spots on the road

A GENERAL practitioner of my acquaintance had a curious experience recently. Towards the end of a long and tiring evening surgery, an elderly man, having had a vigorous scuffle with the formidable receptionist, burst in and hailed the doctor with delight.



Unaccustomed to exuberance, among the normal gathering of funereal valetudinarians, my friend thought that he had a maniac on his hands, particularly when the bouncy, chortling septuagenarian stated that he wasn't ill; had never felt better; and performed a little dance to prove the points. My friend decided to humour him and told him to sit down.

"Not necessary, Doctor," laughed the little man, knocking over an inspection lamp. "I'm only staying a second or two. Perhaps you don't remember me..." and he gave his name.

On referring to the file, the doctor recalled the man—a common happening for a doctor who may remember all a patient's diseases but can recall neither his name nor his face. Yes, he had seen the man once, but only for poor vision, for which he had referred him to an optician.

"So you've lost your glasses, I suppose," he said to the old man who was still blundering about.

"Managers, on the other hand, often seem unwilling to act and speak as individuals. They prefer committee decisions. They tend to have little experience of going out and talking to people and I think this must be a criticism of U.K. management. They have now started to realise that they need to communicate better. Once they have recognised that, they have to learn how to communicate."

Assuming that their driving tests, often taken many years ago, were not passed through of moderate to severe visual defects. Yet not one was wearing his glasses, and the optician was only thankful that they not only does a natural de-

### Alarming

"No," he replied, "Never bothered with them. If you are able to read your notes, you will see that I was worried about failing my driving test—eight times up to that visit. You were so kind to me I just wanted you to be the first to know that I've passed it at last!"

not only does a natural de-

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Monday November 21 1977

## Sadat's call for peace

ANY ATTEMPT to evaluate President Sadat's visit to Israel must take account of three elements. First, there is the fact that, after so many years of war and hostility, an Arab leader has set foot on Israeli soil, and has been greeted there with all the marks of courtesy and respect. The second element consists of the speeches delivered yesterday in the Knesset by the Egyptian President and the Israeli Prime Minister. The third element is the fact that the two national leaders not merely met each other face to face, but had private discussions on the problem of the long-standing Middle East conflict — but of these nothing has so far emerged.

### Divisive

The visit itself represents a dramatic break not merely with the past but also with the wishes of Egypt's most important Arab allies, all of whom have in varying degrees condemned President Sadat's initiative. Yet while there can be no mistaking the historic nature of the first handshake between Begin and Sadat at Lod airport, and while the Middle East stalemate and the solidarity of the Arab nations have both been profoundly shaken, it is quite unclear what the consequences will be. If Syria and Saudi Arabia, to name but two of the most important of Egypt's allies, genuinely desire a Middle East settlement, can they now be persuaded by President Sadat that he has not in fact betrayed the Arab cause by going to Israel? Or will the shock of his visit prove so divisive as to make the Middle East situation more rather than less unstable?

The two speeches in the Knesset would not have been remarkable had they not been the centrepiece of an occasion broadcast live throughout the world, since neither leader said anything which departed in any radical way from their publicly known positions. On the contrary, both Mr. Menachem Begin and Mr. Anwar Sadat seemed to be going out of their way to protect themselves against their critics, by abandoning nothing of their previously stated demands for the ingredients of a settlement.

It is, indeed, in the light of President Sadat's speech, hard to see any justification for Syrian accusations of treachery on the substantive issues. He did not want another partial agreement with Israel, as in the Sinai, let alone a bilateral peace. Israel must withdraw

### Past wrongs

On balance, Mr. Begin was more unyielding, less generous. Whereas Mr. Sadat went out of his way to stress the legitimate rights of the state of Israel, and studiously avoided blame for the past, the Israeli Prime Minister emphasised the wrongs done to Israel in the past, including the sufferings of Jews in Europe for which the Arabs can scarcely be blamed — however important they may be in explaining Israeli attitudes.

Mr. Begin has, of course, long had the reputation of a hardliner, and he may have been anxious to limit the implications of yesterday's historic event until he should have had more time to assess its repercussions. So far, of his private conversations with President Sadat, nothing has emerged. Nothing indeed may emerge until it becomes clearer whether President Sadat can restore relations with Syria and Saudi Arabia, or whether Israel is facing a new era in which the Arab world is profoundly and perhaps permanently divided. Yet it is extremely doubtful whether Israel's interests would really be served by Arab divisions or by the ostracism of President Anwar Sadat.

## Policy vacuum in the U.S.

IN PURELY domestic terms, U.S. economic performance has been until recently the most successful in the developed world; but there has been remarkably little contribution from central government policy, especially since the accession of Mr. Carter to the Presidency. For a considerable period it has seemed that a steady monetary policy, supported by the action of more or less automatic fiscal stabilisers, was able to achieve more than the most purposive management and intervention. In recent months, however, monetary policy has been less successful, the dollar has drastically weakened, and the prospects for the world's largest economy have become forbiddingly clouded.

A weak dollar appears to have been an important cause of the recent problems of the Federal Reserve in controlling the growth of the money supply, and the consequent rise in interest rates has depressed the financial markets generally. This may in turn help to explain the most worrying feature of the domestic economy — the continuing reluctance of industry to undertake new investment, which has sharply disappointed the U.S. authorities.

The large recovery in historic profits, and a growth rate which according to the most recent revisions has continued through the third quarter of 1977 at 5 per cent. annually, should by now be stimulating investment. It must also be remembered that a dollar devaluation produces much more favourable domestic effects for U.S. industry than a sterling devaluation does in the more open U.K. economy: the effective protection in the same, but the impact on domestic costs and prices is relatively very small.

The factor missing from this technical account of the U.S. economy is confidence. American businessmen and investors have not yet been conditioned to lose an undue amount of

### More orthodox

Mr. Carter must share the blame for the present uncertainty: his habit of talking largely and vaguely of his aspirations has certainly done some damage, both to confidence and to his relations with Congress. The resignation of Mr. Bert Lance has paradoxically made the Administration more orthodox in its efforts to reassure business opinion, but the change does not seem to carry much conviction, partly because it is now very far from clear who is in charge of economic policy. The President's many advisers talk with a divided voice, as do advisers everywhere — Mr. Carter is a victim of the times as well as of his own inexperience.

What is needed now is not so much drama as clarity: an announcement of who is to succeed Dr. Burns, if there is to be a change; a tax package; some progress with the energy policy, whatever its faults; and, it is to be hoped, the emergence of one strong economic voice in the Administration. The cure-alls, if there are any, can come later.

# Why Britain still wants the IMF

By PETER RIDDELL, Economics Correspondent

THE TALKS starting in London today between Treasury officials and an International Monetary Fund inspection team are rather less of a formality than might appear, given the major improvement in the British financial position in the last year. There are certainly likely to be plaudits for Britain's success in fulfilling most of the conditions in last December's Letter of Intent. But there will probably be no shortage of reminders of the problems still to be resolved, and the Treasury may find the Fund staff keenly concerned both about inflation prospects and monetary policy.

The atmosphere could hardly be more different from that of the difficult negotiations last November and early December which led to the agreement on a \$3.9bn. standby credit. The comings and goings of ministers and officials between London and Washington, the secret visit to London of Dr. Johannes Witteveen, the Fund managing director, and the Cabinet debates lasting a total of 24 hours are all long past.

The Fund team of about half a dozen — again headed by a former Bank of England official, Mr. Alan Whitmore — is being greeted in Whitehall rather like an old friend who is as familiar with the detailed background and problems as the Treasury itself. For a start when the Fund economists look at the books — in fact pages of computer print-out embodying the latest forecasts — there is likely to be none of the disagreement about the outlook for the economy which took up so much time last year.

Moreover, few questions are likely to be raised when comparisons are made between the commitments made last December and the subsequent performance. The most important factor from the Fund's point of view is the current account of the balance of payments — in itself a crucial determinant of a country's ability to stand on its feet financially without further help.

The turnaround here has been remarkable. Instead of the deficit of £1.5bn. expected in 1977, the outcome now looks like being a surplus of more than £250m. An improvement in this area was seen as an essential precondition for sustainable growth and as part of the general stabilisation programme which also involved halting the growth of the public sector and taking monetary and incomes policy measures to check inflation. The two main indicators monitored have been the public sector borrowing requirement and domestic credit expansion, which is essentially the money supply adjusted for the balance of payments.

On both scores, Britain has been well within the Fund's ceilings — indeed almost embarrassingly so. The combination of public spending running at well under planned levels and buoyant revenue has meant that

the borrowing requirement for 1977-78 has recently been estimated at £7.5bn., compared with the ceiling of £8.7bn., — even after two series of income tax cuts costing in total about £2bn. Domestic credit expansion in the first half of 1977-78 has been only £1.15bn. compared with the ceiling of £7.7bn. for the full year, as a result of large sales of gilt-edged stock.

There has also been substantial progress towards reducing inflation. The 12-month rate of retail price inflation currently stands at 14.1 per cent., compared with 17.7 per cent. in June.

The success in meeting these performance criteria has been linked with a massive turnaround in financial markets and confidence. It has been reflected in the by now familiar story of falling interest rates and rising official reserves, now five times the end-December level. The surplus on capital account preceded the turnaround on current account; the pressures became so great as to force the Government to abandon its policy of holding down the exchange rate three weeks ago.

On the face of it, the decision to allow a free float in face of continuing massive inflows of foreign currency conflicts with the commitment in an ambitious section of the Letter of Intent to the "continued maintenance of the competitive position of U.K. manufacturers both at home and overseas." But in practice the authorities had little choice if they were to fulfil the other objective of monetary control. The Government does remain concerned about the price competitiveness of exports as a long-term policy goal even if it has temporarily had a lower priority than other aims. This has not become a major issue so far in view of the small appreciation of sterling.

### Financial health

All these factors have together restored Britain to financial health much earlier than expected, though at the cost of a very slow rate of economic growth. The financial improvement was recognised in the comments made during the Fund annual meeting in Washington in late September. This was seized upon by Dr. Witteveen who called for a greater contribution to the worldwide economic recovery from countries in Britain's position. He in effect endorsed the Government's plans for a phased programme of relaxation during the next 18 months, which was started in the recent mini-budget.

In these circumstances there might appear to be a good case for breaking free from the fund and repaying the drawings made so far on last December's standby, which are equivalent to less than a tenth of the current buoyant revenue has meant that



Mr. Alan Whitmore, head of the IMF team for Britain.



Mr. Healey, Chancellor of the Exchequer (right), with Mr. Bill Kyrie, British representative at the IMF and World Bank in Washington.

decided against this option (though it will not make further drawings beyond the \$1.9bn. received so far out of \$3.9bn.). The fund would be grateful for early repayment of some of the British debts. It is rather short of resources at present in view of the delay in the establishment of the new Witteveen special facility. From the Fund's point of view the most useful money to receive back would be the first tranche of \$800m. drawn in early 1976 and there may be some discussion of that in the next fortnight.

Britain intends to keep last December's standby facility in being for the moment though the question of early repayment could arise next year. The Government is reluctant to repay too soon. It feels that while the reserves have risen rapidly this year, their structure has not necessarily been improved since they include a large proportion of short-term liabilities, in effect "hot money" inflows which could be withdrawn quickly. Moreover, continued arrangements with the Fund does provide a seal of international approval for British policies which could be important if, for example, the labour scene deteriorated and foreign confidence were to be undermined. Reluctance to take any risks here is reinforced by the fact that maintaining links with the Fund is not in practice acting as a restraint on Government policy.

There is no problem at all about the current financial year, and for 1978-79 last December's Letter included figures (regarded as central forecasts), of £8.6bn. for the borrowing requirement and £9bn. for domestic credit expansion. Both these

figures are open for discussion in the forthcoming talks. But they may not be finalised in the next fortnight — an indication of the more relaxed attitude now compared with that of a year ago. Some officials want to wait until the uncertain earnings 13 per cent. target for the next April onwards prospects are clarified.

The present borrowing ceiling does not appear to be too restrictive, since the latest Treasury projection is £7bn. in 1978-79. Some City analysts regard this as on the high side and anyway it allows plenty of scope for further income tax cuts in the budget next spring. The domestic credit position is more complicated since the present ceiling looks more restrictive than it did last December in view of the more cautious view now being taken of the prospects for the current account next year.

This topic should not present any major problems, but the Fund team is likely to press the Treasury for clarification on the prospects for inflation and monetary growth. All that the Government can really do here is to point to the progress so far and state that in spite of the failure to reach a formal agreement with the TUC on pay, the 10 per cent. earnings guidelines are being enforced. But there is an increasingly blurred line between basic wage deals, which should be in single figures, and the 10 per cent. national earnings limit, which is effectively "down" the norm. While there have been very few major public breaches of the policy so far, there are grey areas, for example, about self-financing productivity deals. So the policy still holds, though the earnings outcome for the year to July looks likely to be

around 15 rather than 10 per cent.

The Fund's main emphasis in monetary policy has always been on domestic credit expansion since it is most relevant to the current account. The 9 to 13 per cent. target for the next April onwards, broadly defined money supply, was devised by the Government such a dilemma recurring itself and was not included in last December's Letter. The Fund's introduction of a more flexible target range, figures published last week showed that in the first half of the financial year sterling M3 was growing at an annual rate of 14 per cent., and it is likely to remain above the upper end of the range for at least a couple of months as the overseas inflows work through and the tax rebates are paid.

### Money supply problems

There may be some difficulty about bringing the growth of money supply back down below 13 per cent. by April and Mr. Denis Healey, the Chancellor, was noticeably cautious recently when he referred to keeping the growth "close to the preferred range." The implication is that the Treasury believes that keeping general control over what money supply is what matters, while it remains sceptical about the real importance of a possible slippage of a point or two by the end of 1977-78. Part of the problem is that if the Government wanted to be absolutely certain of keeping the rate of growth to under 13 per cent., the necessary or some other form of control — might create opposite danger of correction. That after all what happened in the first months of this year, damp growth of sterling M3, the down the level of econ broadly defined money supply, activity. It is partly to the Government looks like a dilemma recurring itself and was not included in last December's Letter. The Fund's introduction of a more flexible target range, figures published last week showed that in the first half of the financial year sterling M3 was growing at an annual rate of 14 per cent., and it is likely to remain above the upper end of the range for at least a couple of months as the overseas inflows work through and the tax rebates are paid.

## MEN AND MATTERS

### Millipedes and cabbage soup

Latest reports from Peking indicate that the Chinese authorities too are having problems dealing with the aftermath of wage restraint. Millions of Chinese workers and peasants have just received their first pay rise for many years. The problem is that, thanks mainly to sabotage by the "gang of four" — of course, many goods were already in short supply and the Government is hard pressed to find ways of ensuring that higher wages are not immediately cancelled out by higher prices.

One of the few commodities which is in abundant supply, it seems, is the green cabbage. Millions of tons of cabbage flood into the towns and cities at the start of every winter and are piled up on street corners for sale. Cheap, nourishing but boring by any standards if eaten too often, the ubiquitous cabbage is traditionally bought, dried on balconies, and doorways and then stored by countless Chinese households.

Adding the odd piece of pork, chicken and egg helps to liven up a cabbage soup wonderfully. Unfortunately all these things are in short supply.

Close China watchers show a healthy degree of scepticism on the chances of the authorities being able to persuade would-be free spenders to buy a few more cabbages.

What the Government has done instead is to warn retailers against holding on to best selling lines, told warehouses to free their stocks for distribution and warned all comrades not to indulge in malpractices like theft, under the counter sales, profiteering, dividing goods among one's friends

and relations or taking off to the countryside and buying goods directly.

The official line is that things will only improve if people take their pay rises as an incentive to work harder and produce more goods. The idea that it is not counter-revolutionary to seek higher living standards and the use of material incentives rather than revolutionary exhortation to achieve this are hallmarks of the new post-Mao regime.

As an example of what can be achieved official propaganda quotes approvingly the example of the schoolchildren of Hupei province. Millipedes, an essential ingredient in traditional Chinese medicine, were apparently in short supply. Offered a few yuan per thousand millipedes local schoolchildren promptly went out and found 20 million. I wonder what they taste like with cabbage?

### Pasionaria Brown

Having heard Rosemary Brown in full spate introducing the emotionally charged closed shop debate at the Tory party conference last month I dubbed her La Pasionaria of Blackpool. It now turns out I was not alone in my judgment of this formidable, if physically tiny, lady. The Tories of Truro represented at Blackpool also took note of her performance and spread the word when they got home.

As it happens Truro was in the process of choosing a new parliamentary candidate for what used to be a traditional Tory seat until lost to the Liberals by a mere 464 votes at the last elections. Somewhere among the list of 142 prospective candidates was Rosemary Brown herself. After nursing Newham North West for several years she had decided to put her name down

for a more promising constituency.

According to local party agent John Farndon, Rosemary impressed the Truro selection committee both by her grasp of local issues — at which unemployment is high on the list — and the way in which she skillfully defended herself against a rather barbed question as to how she squared her opposition to the closed shop with membership of the National Union of Journalists. "Fight for moderation from the inside" was the gist of her reply.

Last week the constituency party selected her on the second ballot. Truro being deep in a tough fight, not only against the Liberals but also against Mervyn Kinnock, sons of Cornwall, the Cornish nationalists who want to turn the whole of Cornwall into something suspiciously like a closed shop for the Cornish. They have a long way to go however — at the last



"Where we made our mistake was in letting the Mayflower in!"

elections their man polled less than 400 votes and lost his deposit.

### Hose power

Help may be at hand from an unexpected source for the intrepid band of "Green Goddesses" and their old-fashioned hosepipes. A reader in France has just sent us news of a new process to increase the efficiency of firefighting, and other hoses, by reducing hydrodynamic friction.

The French research and development company, Bertin e Cie, claims that its appropriately named O'Gloss process cuts friction between water and hose by up to 65 per cent. thanks to the addition of what it calls "macro-molecules". Bertin claims that the new process increases the range of the water jet by between 40 and 50 per cent. It was demonstrated for the first time at the recent congress of the French Fire Brigades Federation.

If the new system is as efficient as claimed it might even contribute to reduce the friction affecting the British firemen's wage packet — there ought to be plenty of grounds for productivity bargaining here.

### Precocious

Actor Gerald Harper, up in Manchester to open a refurbished Moss Bros. store, tells how on a previous visit he had presented prizes at a local girls' school. Tired of repeating "well done" to every prize winner he asked one girl what she was going to do when she left school. "Well I was thinking of going straight home," was the reply.

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# FINANCIAL TIMES SURVEY

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Trudeau  
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# Canada

Canada has been swept by economic storms and beset by separatist troubles in Quebec. But energy resources are a long-term asset and battle for national unity has only just been joined.

W. L. Luetkens

IT NEVER rains but it might have been saved unless and if you're in Canada a residence was employed). Now the whole thing can turn into a blizzard. It does not seem to have happened during the last year, both the Canadian and the body politic who have always acted as lawfully as the Parti Québécois is doing. It also recalls the manner in which security services elsewhere behave, not only in a November 15 of last year, of the Parti Québécois Government in Quebec which intends to take Province out of federation expected for 1979. Hardly the .PQ in than the U.S. dollar went down U.S. dollars 1.03; some- like two runs later it is in region of U.S. cents 90. Nominalists agree that you can't really blame the PQ; the ar had been overvalued in is of Canadian productivity wages.

s though these two blizzards not been enough, the adian publication media and -opposition in the Parlia- it at Ottawa have been hot pursuit of a number of law and order to count more in xals that have been dubbed public opinion than do the mini-Watergate. That niceties of law and justice owed Canadian institution, Unless someone in the Govern- ment has admitted that the. That thought cannot have unity Services of the Mountains been far from Mr. Trudeau's it, has coined the term broke into premises (which appointed a Royal Commission

to look into the whole matter. In Canada, as elsewhere, a Royal Commission grinds exceedingly fine—but also grinds slowly. Maybe it will not finish before the next election, which cannot be more than 12 to 18 months away, and maybe only seven. Unfortunately for Mr. Trudeau, however, the Quebec Government has also appointed an investigating commission, which may be less royal and also less slow. It could make an impact, especially upon French Quebecers, before the referendum.

### Referendum

As things stand a referendum in which Quebecers are asked whether they want to separate from Canada and form their own State would almost certainly go against the PQ. The latest of a plethora of polls—not all equally scientific—showed 68 per cent of the Quebecers asked to be opposed to independence. Given the fact that almost one in five of the population of the Province are English speakers, it will take a great deal to wipe out that majority against secession.

But Mr. René Lévesque, the Quebec Prime Minister, and his chief strategist, Mr. Claude Morin, Minister of Intergovernmental Affairs, are too shrewd to walk into that trap.

Last November the PQ won the election by soft-peddling the issue of independence. Now it, has coined the term *souveraineté-association*, which

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has no standing in international law, but is intended to convey the idea of an independent Quebec in the safety of economic association with the rest of Canada. To English Canada that means eating your cake and having it; but in Quebec things are different. In the recent poll only 15 per cent stood up for independence, but that number rose to 28 per cent if the rider was added that an independent Quebec would propose economic association.

It really is anybody's guess how the admittedly clouded economic prospects of Canada will affect that pattern. They could strengthen the case for independence; they could equally work in the opposite direction, given that Quebec on its own might do worse and would not share in the gas and oil, Canada's very real assets in the west and north. In any case, there does seem to be some evidence that the Québecois voters, while still loyal to the PQ, may be beginning to blame it for an unemployment ratio of about

10 per cent, which is some two points higher than the Canadian average. But on that point the polls are even less conclusive than usual.

The French Québecois are unlikely to accept the argument that Mr. Lévesque's men have frittered away a year bringing in legislation to make French the one official language of Quebec. But oddly enough one has heard of francophones who resent that part of the celebrated language law, Bill 101, which prevents all but the descendants of English speakers educated in English schools in Quebec from themselves attending English state schools. That restricts the freedom of choice of francophones, at least in theory, as much as that of immigrants from, say, Italy or Greece, and even of immigrants from English-speaking provinces in Canada.

The English schools system in Montreal (where the English-speaking population of Quebec is concentrated) has overtly or covertly ignored the law: children have been enrolled

against the provisions of Bill 101 on the grounds that it infringes rights long established in the Province. So far the Government has only withdrawn funding in respect of those children enrolled in this manner—something that the schools can probably put up with for some time. But Mrs. Joan Doherty, the formidable Chairman of the Protestant School Board of Montreal, which has taken the firmest position, might even sue for her money should that promise succeed.

There is, however, reason to doubt whether the educational clauses of Bill 101 are unconstitutional. There may be stronger grounds for doubting the validity of the clauses that limit the role of English in the law courts and in business—clauses that have accelerated the long-standing drift of English-speaking businesses away from Montreal. But Mr. Trudeau has decided not to appeal to the Supreme Court of Canada, let alone to use his powers to veto provincial legislation. There are tactical reasons for not doing so: if the complaints come from the public in the Quebec courts, the Quebec Government, provided it loses, might find itself in the embarrassing situation of having to appeal to the Supreme Court itself.

The language issue has stirred up some fairly basic instincts, but it also has at least stirred the political consciences of English Canada: the provincial premiers want to ensure that the 1m. French Canadians out-

side Quebec are given improved access to French schools. Given the high degree of local control over schooling it may take a long time until the results are seen.

As is generally the fate of those who are defending a position, Mr. Trudeau has to a great extent been reacting to initiatives of the quicksilver Mr. Lévesque. For instance, Mr. Trudeau has proposed that Ottawa, too, should legislate to give itself power to hold referendums. The meaning is unclear: evidently a referendum could be used to enshrine a new compact between English and French if ever it is reached, or a settlement—such as Mr. Trudeau seems to have in mind—in which the ambitions of Quebec are satisfied by a greater degree of devolution of political power to all provinces. The shape of such a compact cannot be discerned as yet. It is, however, notable that the PQ Government has not refused to collaborate in the federal-provincial institutions where, for instance, revenues are shared out between the federal Government and the provinces.

tions where much good will and ingenuity would be required to avoid violence.

If one looks at Quebec and at the economic situation in the widest sense of that term it is very hard to avoid concluding that though the battle for national unity is wide open, Mr. Trudeau's original concept has failed. It was to make the Québecois feel at ease in confederation by making the administration of the whole country bilingual, and by nurturing a distinct Canadian identity that was different from and in a sense opposed to the American. But English Canada at large hated bilingualism, even though there never was any question of making ordinary citizens speak French against their will; even in Quebec Bill 101 rejects bilingualism, in its case in favour of French.

In the field of business, nationalism was tried, half-heartedly, by making direct foreign investment subject to screening. But the world of business looked upon that as another instance of Government meddling: where business is concerned, Canadians tend to model themselves on the U.S. pattern, even if they do not always succeed quite as well. When, almost three years ago, Mr. Trudeau suggested that the market economy might have failed, the outcry was general. Proposals for some sort of institutions to bring about a consensus between Government, business, and trade unions are in limbo.

Small wonder, then, that the long lead in the polls that Mr. Trudeau and the Liberal Party have been enjoying over the Progressive Conservative opposition and its leader, Mr. Joe Clark, may be diminishing. But it is there. The third national party, the New Democratic Party, a group with trade union support and social democratic tenets, is in the shadows. Its provincial Government in Manitoba has just been turned out, leaving the NDP in control of Saskatchewan only.

The fact is that Mr. Trudeau is an extremely tough fighter. He has in the past taken care of himself in tight corners. The corner he is in now is probably the tightest of all. A majority of Canadians (and of Québecois) seem to think that the Liberals are most likely to hold the country together, but doing so will not be easy.

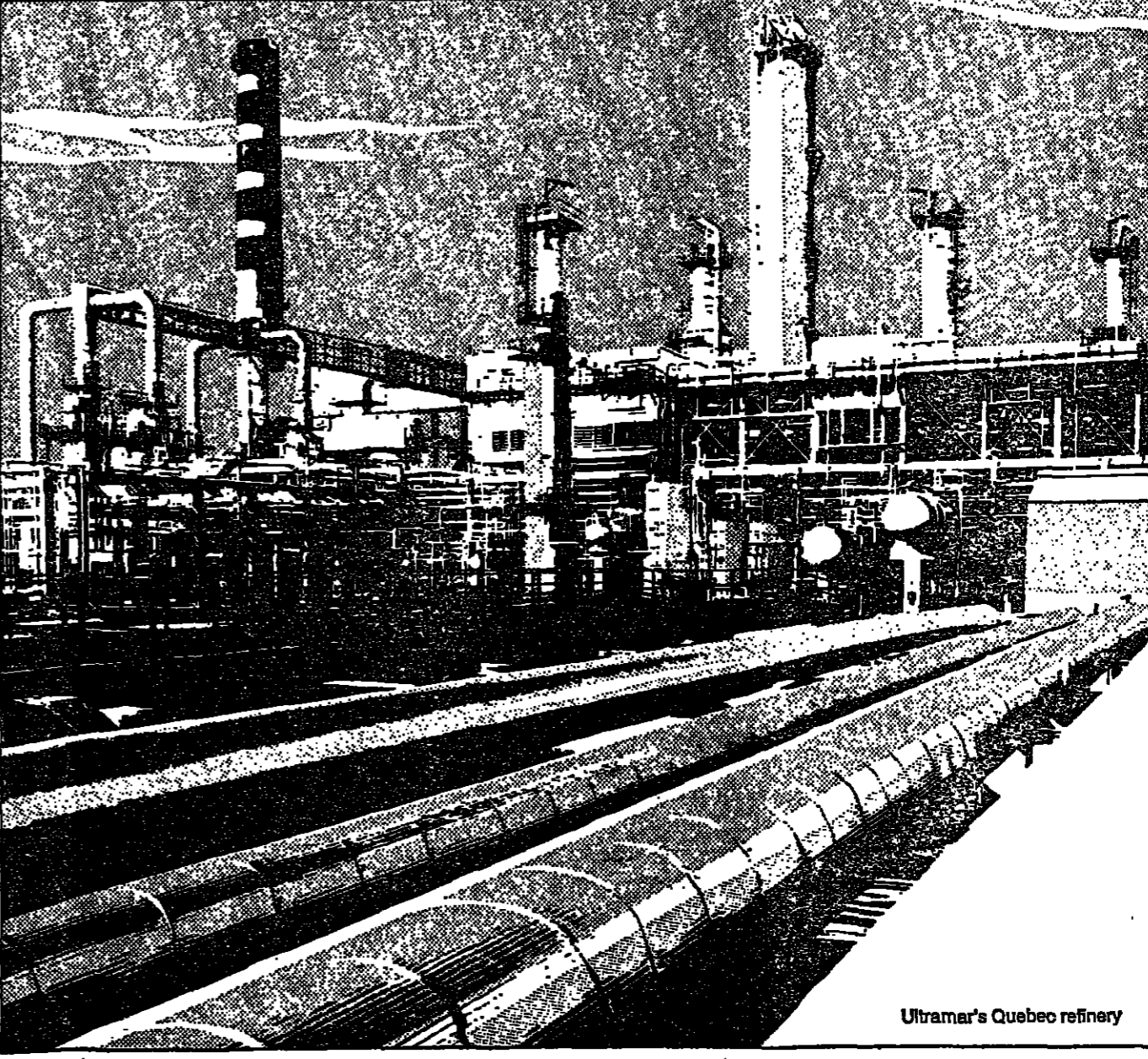
### Restricted

Purely in theory, a referendum restricted to one province or some part of it could be used in a situation where Quebec had voted for separation. Some regions near the Ontario border, but also western Montreal, would inevitably vote the other way. That would create situa-

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**BANKING**

**CANADA**

**Slow progress on Bank Act revision**

THE CANADIAN banking system will undergo some broad changes as a result of proposed revisions to the Bank Act scheduled to become law next year. Just when is still uncertain. The guessing is that it could be as early as March but as late as December—unless a dissolution of Parliament delays even further the revision of the Bank Act that was due in theory last year.

The proposed revisions have met with considerable opposition from the provincial Finance Ministers and the near-banks, such as the trust companies, credit unions and caisses populaires. Of particular concern to them is the issue of jurisdiction raised by the Federal Government's recommendations.

Trust companies are largely provincially incorporated and regulated and the credit unions and caisses populaires are entirely under the provincial authority. However, the proposed changes would require a new division of responsibilities between the different levels of government.

It is proposed that the near-banks be permitted to engage in the same activities as banks only if they acquire bank status a procedure that would bring them under federal authority. In addition, the Government intends to open the cheque clearing systems to the near-banks. At present chartered banks are the only members of the system and the near-banks must clear their cheques through them.

To belong to this system the near-banks would have to maintain non-interest bearing reserves with the Bank of Canada, as the chartered banks do now. Objecting to the prospect of increased Federal control over their activities, the near-banks have suggested that their reserves be deposited with financial institutions other than the Bank of Canada. The caisses populaires have been particularly critical of the attempt to blur the distinction between themselves and the banks. These arguments are all in and are being assessed by the Department of Finance in Ottawa.

The Government's view is that such changes would make the Canadian banking system more

competitive and therefore give consumers a better deal. But the banks, trust companies, credit unions and caisses populaires are already competitive. The battle for the consumer loan dollar is warming up and contrary to traditional practices several trust companies and credit unions are meeting the chartered banks head on.

Besides lowering their consumer loan rates, some are offering free gifts and other incentives to attract customers to their tellers' windows. According to both the bank and trust companies Canadians are being attracted by the giveaways and premiums.

**Spread**

But the trust companies have a long way to go before they reach the banks' share of consumer credit. Last year, they supplied less than 2 per cent of personal loans taken by Canadians while the chartered banks supplied 99 per cent. The other 99 per cent is spread among the credit unions, sales finance companies and credit operations conducted by most of the large companies that deal in consumer products.

The most aggressive competition for the banks from credit unions is taking place in British Columbia, where they are going after savings accounts in a way that is shaking up the banks. In credit unions elsewhere in Canada do likewise, many traditional credit and savings patterns could be in for substantial rearrangement.

The push by the trust companies and the credit unions suggests that they are trying to build the broadest possible depositor base before the Bank Act is finally amended. Not so, they say. They say they are building a capital base to meet the credit needs that are expected to grow substantially through the 1980s.

Probably even greater competition for the banks could come from the Government's proposal to allow many foreign banks now operating indirectly in Canada through subsidiary financial corporations to become chartered banks in Canada, but with important limitations to

size. In return, the federal Government would expect other countries to open the door to Canadian banks seeking to operate more fully abroad.

Those banks in favour of recognising foreign banks in Canada argue that reciprocity on Canada's part is necessary to provide new opportunities for Canadian banks abroad. Those Canadian banks abroad, however, might take the cream of commercial lending business in Canada.

While the foreign banks will probably be allowed to establish operations in Canada, the Government's objective is to keep the banking system predominantly Canadian. Thus each foreign bank would be limited to five branches and it would be subject to an asset ceiling of \$500m. In addition, foreign banks as a whole would be limited to no more than 15 per cent of the total commercial lending in Canada.

The foreign banks which want to set up in Canada have urged that the proposed ceiling be scrapped and that foreign participation in the Canadian banking system be limited solely on the basis of total share of commercial loans.

Canadian banks already are big operators abroad. Their foreign currency assets now amount for about 30 per cent of total Canadian bank assets, compared with less than 20 per cent ten years ago. During the last six of those ten years the banks have grown at a greater rate than in any equivalent previous period. Their collective compounded annual growth rates in assets and profits have been 17.9 per cent and 18.8 per cent respectively.

This excellent performance, however, was largely the result of inflationary conditions brought about through expansionary monetary and fiscal policy on the domestic front, rapid growth in the international markets and significant reduction in bank liquidity.

Since these conditions are thought unlikely to continue over the next several years, expansion at a substantially slower rate is expected. The growth in Canadian banks'

foreign assets reflects in measure greater emphasis on wholesale banking. Much of the money markets of New and London but recent Canadian banks have participated in the thriving markets of Frankfurt and Paris.

As to what stage, if Canadian banks will slow expansion abroad, among bankers is divided. Consider that world financial trade are so extensive it will be difficult to see him growth in foreign operations. Others, although they still place to go, think the growth of international banking cannot be sustained.

**Substantial**

The chartered banks no means the only participants in international Canadian life insurance companies, also have subsidiaries abroad and smaller scale so have the companies. About 26 per cent of the life insurance Canadian life offices is more than 2m foreign about 20 countries. That sent a premium income \$92m, out of the total of received by Canadian companies last year.

Perhaps the biggest beneficiaries to be faced by the trust companies and insurance companies during the next years will be with the Canadian Labour Campaign to organise the following a decision of Canada Labour Relations that opened the door to organisation among the 140,000 bank employees. The Board ruled single bank branch is at private bargaining unit arguments by the industry that certification for a single branch create chaos and be on the public interest. The Labour Relations Board made a similar ruling case of a trust company.

James  
Toronto Correspondent

**DEFENCE**

**A spending spree**

THE CANADIAN aviation industry with its two major airframe companies now owned by the federal Government, is expected to become a major beneficiary under the Government's planned increase of spending to re-equip the Canadian armed forces.

The Government has authorised spending increases of 12 per cent a year in real terms up to 1981 for the acquisition of new military aircraft, naval ships, tanks, armoured personnel carriers and the replacement of the Pinetree radar early warning line for North American defence.

These are the major programmes, with the ship project alone calling for the replacement of about 20 destroyer-type vessels and now coming under review of the federal Cabinet.

But it is in the field of aviation that the first of these acquisitions have been made and are to be made, and which promise well into the 1980s because of the industrial offset conditions attached to each contract.

Orders were placed in July for 18 maritime surveillance aircraft, the CP-140 Aurora, which is the Canadian version of the Lockheed P-3C now in service with the U.S. Navy. The cost is almost \$1bn.

Since then, the Department of National Defense has issued a request for proposals for a new fighter aircraft to six competing international aviation firms, four in the United States and two in Europe, for an eventual order of between 125-150 planes at an estimated cost of \$2.3bn.

The deadline for the return of the proposals is February 1, 1978, to be followed by an evaluation period, with a recommendation to be made to the Government on the winning aircraft by mid-1978.

The competing entrants in the race, the largest military procurement programme in the country's history, are the Grumman F-14, McDonnell Douglas F-15, General Dynamics F-16, McDonnell Douglas-Northrop F-18, Panavia Tornado and the Breguet Mirage 2000.

As in the case of the Aurora, so with the new fighter, Canada will insist on compensating industrial offset work. Before placing the order for the

Aurora with Lockheed Aircraft Corporation, Canadian negotiators sought and received a commitment and promise from Lockheed and its subcontractors to place more than 90 per cent of the cost, or over \$900m, in industrial offsets with Canadian firms over the next 18 years.

Many of the components of the Aurora will be built in Canada, and Lockheed has shipped the tooling to the Canadian aviation firms taking part in the project. Canadair will build the outer and centre wing boxes, and nose and aft radomes; Embest the rudder, elevator and weapons bay doors; Fleet Industries the flight deck station; Bristol Aerospace the wing components; and IMP Aerospace the wire harnessing.

A total of \$215m in offset is to be placed in the next four years, which includes the above work, followed by \$201m between 1982 and 1993. In addition to this \$416m, which is subject to declining performance penalties ranging from 10 to 5 per cent, Lockheed is to place \$168m, to be derived from the expected sale of a further 150 P-3Cs, including the 18 for Canada and ten for Australia. Another \$350m is expected to come between 1981 and 1995, without penalty, through opportunities to Canadian companies to bid on future Lockheed aircraft developments, including the proposed P-8X for the U.S. Navy and the future generation patrol aircraft VPA.

The CP-140 Aurora will also have a large part of its avionics equipment built by Canadian companies under contract to Lockheed, including a magnetic anomaly detector by CAE Industries, a day and night reconnaissance camera by Canadian Zeiss, a Doppler navigation system by Canadian Marconi, as well as other navigational aids. The rest of the Aurora avionics are the same as those used in Lockheed's S-3A carrier-borne surveillance aircraft.

The magnitude of the offset gain by Canada on the Aurora was regarded as unprecedented, but the same conditions and requirements are to prevail in the awarding of the contract on the new fighter programme.

Although the Department of National Defense has stated that first priority will be given to the aircraft capable of meeting the country's North American and NATO commitments, the offset offered will be a major determinant in the awarding of the fighter contract. It is also possible that two aircraft will be purchased—one for North American air defence, and one for the NATO role.

Even before the official bidding on the fighter, Grumman stated it will place 90 per cent of the contract in offset work in Canada, including Canadian participation in Grumman projects unrelated to defence. McDonnell Douglas, with its subsidiary Douglas Aircraft of Canada already building DC-10 and DC-9 wings, has stated it would even place final assembly work in Canada.

General Dynamics has been silent about what work it might direct to Canadian companies, but it was the owner of Canadair before its purchase by the federal Government. With this kind of leverage from the U.S. aircraft firms, the competing European companies will be hard pressed.

It should be noted, however, that this future military for the Canadian aviation, will be in addition to developing commercial that occurred after the recent takeover of Canadian General Dynamics and d land Aircraft of Canada the Hawker Siddeley G Britain, each for about \$

Both companies have commercial programmes deal with its wide Challenger business jet Havilland with the DEC STOL airliner and the Twin Otter.

Since the announcement, August, 1976, that it was ahead, with Government part with the production Challenger, Canadair b 108 of these aircraft supercritical wing, and than 4,000 mile range.

The sale of a further craft is now under next The first flight of the three prototype Challenger will be made in of next year with deli the first production air a customer scheduled third quarter of 1978.

This in itself is a major production programme, not ing the Aurora work.

**Requests**

Continued on next page

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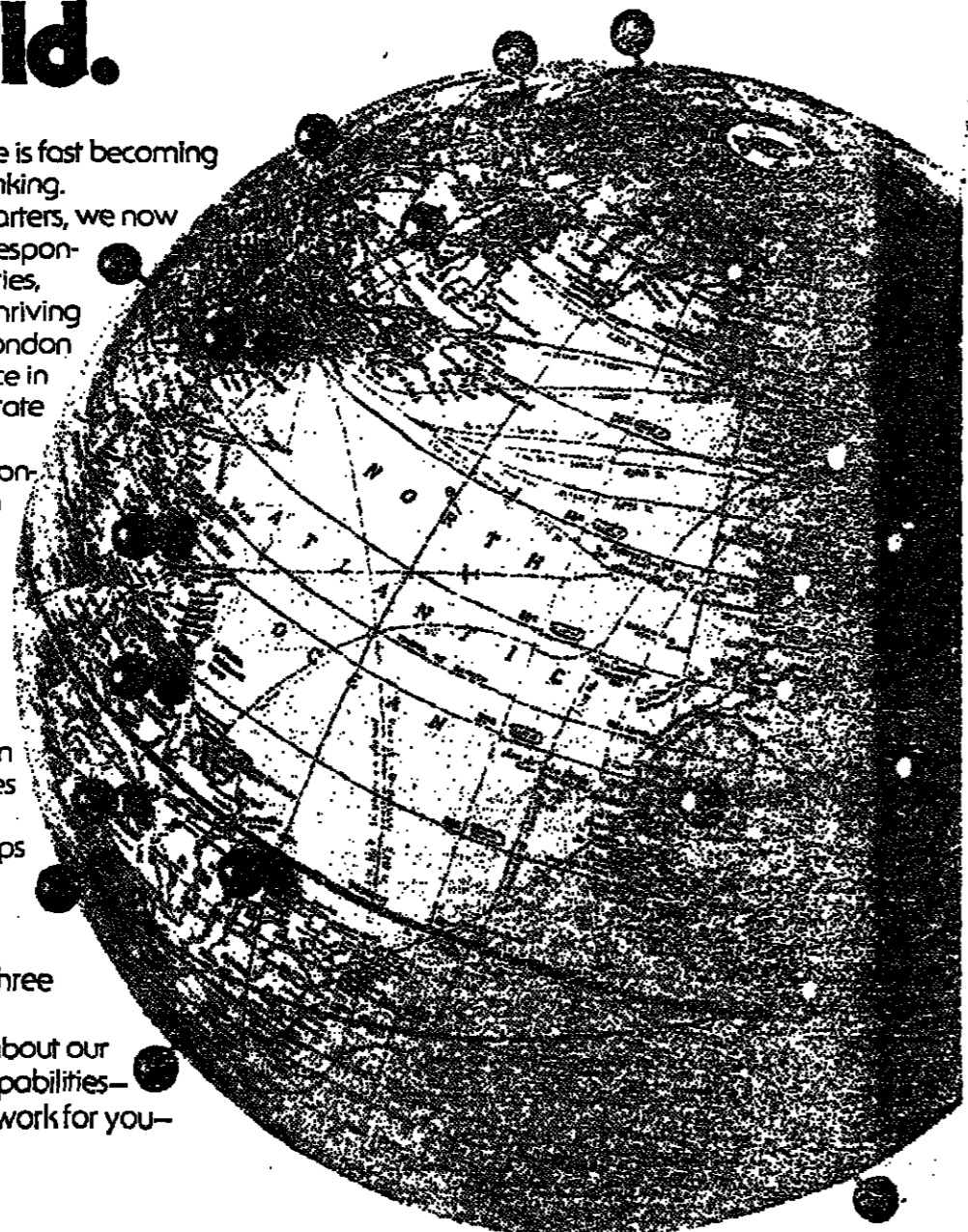
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THE ECONOMY

# No short-term cures

**GROWTH** of the Canadian economy will accelerate in 1977-78—but not enough to make up for the impact upon employment ratios which are less than at any time since 1961. The rate of inflation has come down, perhaps to as low as 6 or 7 per cent—but not enough to restore the competitiveness of Canadian manufacturing industry.

It is just about sums up the dictory and rather y assessments of the Canadian business outlook economists. From business opinions can be heard are a good deal less flat. And if one goes beyond routine cyclical forecast he question of long-range sets, extremely gloomy indeed are forthcoming the structural weaknesses of economy and especially criticism is justified, but cannot help feeling that the sion it leaves overall is erated.

BALANCE OF PAYMENTS			
	1975	1976	1977
	\$m.	\$m.	\$m.
Merchandise trade	-534	1089	2900
Services	-4635	-3798	-7700
(whereof interest and dividends)	(-1918)	(-2491)	(-3600)
Transfers	390	522	500
Current account	-4779	-4187	-4300
Net long-term capital flows	4144	7475	3000
Basic balance	-635	3288	-1300
Net short-term capital flows	231	-2766	-200
Change in reserves	-404	522	-1500
* Estimate.			

Source: Bank of Montreal

### BASIC STATISTICS

Area	3.9m. sq. miles
Population	23.1m.
GNP	\$184bn.
Per capita	\$7,973
Trade (1976)	
Imports	\$40.1bn.
Exports	\$39.7bn.
Imports from U.K.	\$528m.
Exports to U.K.	\$1.16bn.
Currency: Canadian dollar	
	£1 = Can.\$2.02

### mediate

Science Council, a government-supported body, one as far as to speculate Canada might be in a pro of "de-industrialisation". That was not intended to be a progression into an advanced form of society. Economic Council of Canada, another Government-ordered body of economists, businessmen and others (shorn of representatives who need because they diserved of wage controls), has forwarded the following much judgment: "... the ok for the next five years is for relatively modest, persistent inflation, unemployment, and very current account deficits. Tables in the Council's tenth Annual Review show annual growth average from 4.1 to 4.8 per cent, after all, is growth), ending upon what assumptions are made about fiscal and monetary policy; and current account deficits of around \$6bn. or in current dollars.

half of the amount within Canada. So the question arises whether Canada is over-borrowed. Compared with some borrowers on the world scene the answer is assuredly not: no Canadian province has ever failed, and the figures themselves are by no means dramatic. A calculation made in the Bank of Montreal shows that total net foreign indebtedness, including equity, capital and profits retained in foreign owned Canadian businesses, has remained remarkably steady at about 25 per cent of GNP. But when you turn to the net cost of servicing the foreign debt (disbursements less receipts) the picture changes. From 1.2 per cent of GNP in 1970 it has risen to 1.9 per cent in 1977, or about \$3.1bn. That is rather more than the merchandise surplus in prospect.

### Pause

On the face of it these are figures that could give leaders pause especially as the tendency is from equity towards straight debt. But internationally Canada still appears to be rated a good-risk: despite the Parti Québécois there is nothing in sight comparable to the political upheaval possible in France and Italy, and in spite of many moans Canada does have indigenous energy.

In previous periods of payments troubles the Canadian Government itself has appeared as a borrower on foreign markets, and some potential lenders have suggested doing so again. But Ottawa has so far limited itself to arranging a stand-by credit of U.S.\$1.5bn. As things stand the Government would not wish to go farther since it has clung to a policy of letting the exchange rate take the strain, intervening only to ensure orderly markets.

That raises the question of how the Canadian dollar will perform in the coming years. All one really needs to consider is the exchange rate against the U.S. currency, given the close-

out, when the unemployment ratio climbed to 7.1 per cent in 1961, six out of ten unemployed were men over 24—the so-called breadwinners. Now that proportion has fallen to three out of ten. Moreover, the Canadian method of establishing unemployment levels by sampling has a built-in tendency to exaggerate by European standards. It is significant that the Economic Council now believes that there are other than conjunctural reasons why the target of 4.5 per cent unemployment which it once fixed may have been unrealistic.

One point deserves mention in this context. Despite high unemployment, the Canadian economy has been creating new jobs year after year: employment is expected to grow by 1.5 per cent, this year, following upon increases of 4.4 per cent in 1974, 1.9 per cent in 1975, and 2.3 per cent in 1976. But respectable though that record is, it was insufficient to mop up increases of the population of working age by between 2.2 and 2.8 per cent. That is now expected to level off, offering a certain amount of relief, but also making growth increasingly dependent upon improved productivity.

Returning to the more immediate prospects, the phasing out of wage and profit controls, which were imposed two years ago, will begin on April 14. By the third quarter of 1978 a number of trade unions will be free to press their claims. Some whoopie are in prospect, above all from the public service sector. But the weakness of the economic recovery may well

prevent a wage explosion. For the current phase the wage guideline has been reduced from 8 per cent to 6 per cent, without a protest from the trade unions.

Even when they were first imposed the main target of controls was really the public service sector. If it should get out of hand, it will be extremely difficult to accomplish that transfer of resources from the public to the private sector which Mr. Jean Chrétien, the Minister of Finance, was aiming at with tax cuts announced in October. It is precisely such a transfer on a larger and more permanent basis that the Economic Council has proposed to help to cope with the structural problems.

### Swing

Of course, there is no reason to be sure that it would be enough to help along what really is happening in Canada: a swing from one kind to another kind of resource-based economy. Wheat remains a winner, but in a transformed world economy pulp, paper, and non-ferrous metals may be going through more than a cyclical setback. There is something to put in their place in the form of energy—oil, gas, waterpower. There is a long standing resistance to exporting energy, but even exported in controlled quantities—or merely as import substitutes—its possession is a tremendous asset to any economy in the present world environment.

W. L. Luetkens

### Problem

That is clearly reflected in a deficit this year of around \$10bn. in Canadian trade with industrial end products. It will not do, of course, to blame it all on wages. Apart from certain geographical difficulties such as the sheer size of the country and the freezing winters, the Canadian market is too small for the economies of scale that modern industry wants.

That consideration has led many economists to toy with the idea of free or at any rate of freer trade with the U.S. The problem there, however, is that it would spell tremendous difficulties in Quebec and Ontario, the manufacturing base of Canada. The process of letting the uncompetitive die and transferring resources into other sectors would be painful in the extreme, and politically suicidal in Quebec.

Advocates of freer trade can point to the motor industry, which working within a sectoral U.S.-Canadian free trade agreement is more productive north of the border than south. But the evidence is contradictory, not least because the Canadian factories are purely branch plants of the U.S. concerns.

There are other areas where, without benefit of trading agreements, Canada has done well, including its own R and D work, for instance in telecommunications. Canadians also tend to be efficient with their natural resources and raw materials, and it is here that some economists see a brighter industrial future. But none of this—not even farming the prairies—is labour intensive and will not therefore help greatly with unemployment.

It is therefore important to know that the Canadian unemployment figures almost certainly exaggerate the evil. As the Economic Council points

### CANADIAN LONG TERM NET FOREIGN DEBT

Year	(\$bn.)	
	Direct investment	Other including portfolio
1950	3.0	2.3
1960	10.4	7.6
1970	20.2	15.0
1976	29.9	21.1
1976	32.5	28.0

Source: Economic Council of Canada

### FENCE CONTINUED FROM PREVIOUS PAGE

ed by Canadair as well as work on the new fighter four. may also come the com-way.

adair is also continuing work on its CL-215 water chion on an aircraft used to fight an aircraft of which 50 have sold, and expects to main- production of the amphib- aircraft in the years

dition, there is continu- production of the military surveillance system, the sold to West Germany, and Italy, the CL-289, a range version of the and the new develop- of the CL-227, which can over a target and provide me surveillance.

while, de Havilland is ing to see movement of HC-7 STOL airliner, for it now has five firm and ten options. Green- recently placed an air for one with one option, air has purchased two options on three, Rocky ain Airlines has pur- one with options on two Viderco Airlines has pur-

chased one with options on helicopter simulators for delivery in mid-1978.

In the pure aerospace field Spar Aerospace is the leading Canadian company and is building the remote manipulator system arm for the U.S. space shuttle programme. The company has recently received a \$21m. Canadian government contract to continue work on the RMS system in which highly sophisticated gearboxes act as shoulder, elbow and wrist joints in moving a 50 feet mechanical arm.

Spar has also long been involved in the development of remote heat-sensing technology under US and Canadian government contracts for the design and production of an infra-red passive acquisition system for military use.

The units have been tested extensively by the Canadian armed forces and the U.S. navy, and the company is now working on advanced versions of its infra-red surveillance equipment for shipborne applications by U.S., Canadian and other naval forces.

Ken Roman

## What The Financial Times is doing for British readers this week

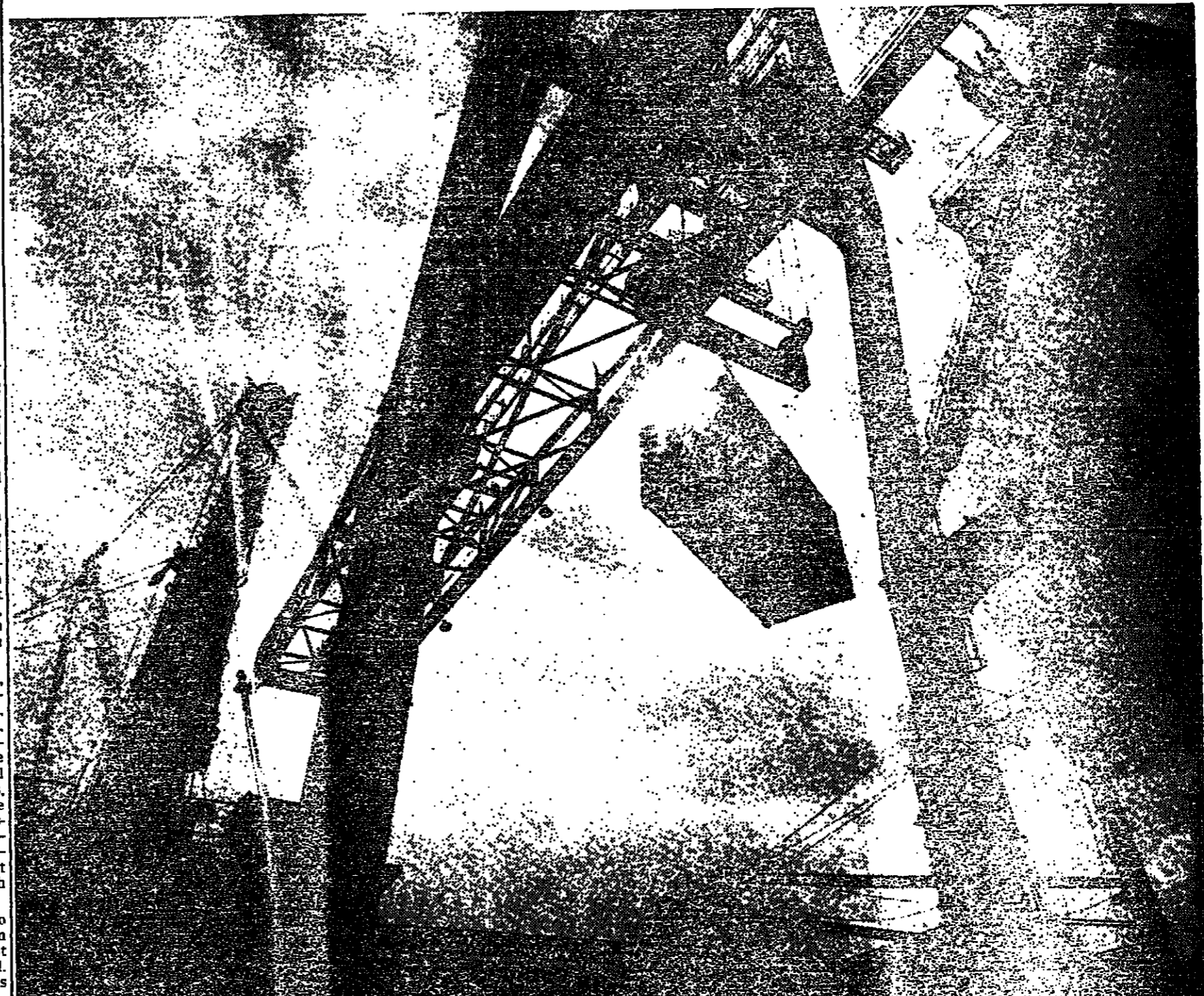
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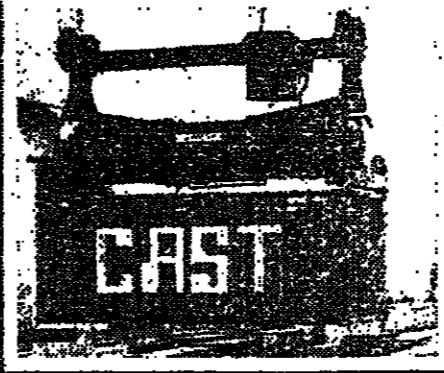
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**CN** Canadian National site-seekers.

A LEMMING-LIKE compulsion among Canadians to travel abroad is building up to a \$2bn. tourism deficit for Canada this year. In all but two years since 1951 Canadians have spent more in other lands than foreign visitors have spent in Canada. The drain has quadrupled in the past two years — to the point where the 1977 imbalance could be about one-quarter of Canada's entire foreign exchange deficit.

The Federal Government is scratching frantically for means to reverse the trend, for ways to coax Canadians to stay at home and travel round their own country. Proposals mooted include cuts in petrol taxes, making part of holiday expenses in Canada tax-deductible, and allowing cheap overnight and charter air travel within Canada. In extreme circumstances there might even be restrictions (so far unspecified) placed on Canadians wanting to travel abroad.

In the meantime Canadians continue to traipse in growing number to distant destinations — to Britain, the Continent and all parts of the U.S. November to April brings annually the great hejira to the warmth of Florida, Hawaii, and other sun-kissed States, as well as Mexico, Bahamas, and the isles of the Caribbean.

Canadians spent \$3.1bn. on holiday travel in 1976, an increase of 9 per cent over the preceding year. Income from visitors to Canada, by far the greater number of them Americans, was \$1.9bn., leaving Canada with an adverse balance of \$1.2bn.

Spending versus tourist income for the first six months of 1977 already shows a loss for Canada of \$1.3bn. The second half of the year, even though it contains the usual peak tourist months of July and August in Canada, is not expected to brighten the picture. A final deficit of \$1.7bn. to \$2bn. is expected.

The tourist year 1976, in spite of ending in the red, did bring gains in the number of foreign visitors to Canada. Americans were up 8.7 per cent, Britons 6 per cent, Germans 24 per cent, French 27 per cent, Japanese 13 per cent, Australians 13 per cent, Mexicans, however, were down 1 per cent. Part of the upswing can be attributed to the Olympic Games in Montreal.

A committee composed of Canadian travel industry executives is seeking solutions to the dollar drain. In a brief presented recently to Industry, Trade and Commerce Minister Jack Horner the committee stated that tourists — foreign and domestic — find Canada too expensive, and the country is on the verge of pricing itself out of competition with other tourist destinations.

The brief makes the point that a visitor to Canada can expect to pay 15 to 20 per cent more for goods and services than in the U.S.

Tourists motoring in Canada find petrol to be about 10 cents a gallon more than in the U.S. Even so, at 85 to 95 cents a gallon at pumps in the populous regions of Canada, petrol remains cheaper than in Britain and the Continent.

Castling worried eyes at the mounting travel deficit, Finance Minister Jean Chretien recently urged Canadians to stay at home, this winter and ski instead of heading south for the sun. It is unlikely, however, that any sense of patriotic duty will be strong enough to keep a significant number of Canadians — and their politicians — at home romping in snowdrifts instead of sand dunes.

This is especially so when Mr. Chretien's appeal, new low air fares were being widely advertised; bargains which offer return flights between Toronto, 1976 and Florida for \$99, or Callifornia for \$199. Yet to fly within Canada over roughly similar distances costs \$256 (Toronto-Edmonton, Toronto-Vancouver, and Nassau, holidays can be occupancy rate in Toronto

bought for as low as \$268, and hotels rose from 62 per cent to 64 per cent in the first months of 1977. Total volume is up 7 per cent, an 11 per cent increase in revenue from room sales, 4 per cent gain in revenue from food and beverages, estimated that visitors pump about \$400m. Toronto coffers this year.

A problem for Canadian is the threat posed by changes in U.S. tax laws severely limit deductions allowed U.S. citizens attending conventions in foreign Toronto alone figures it is \$10m. in convention but originally booked to meet city during the next five.

Nevertheless, there is lobbying in Washington trade unions, credit companies, hotel chains all like, all with interests to have the U.S. gross exempt Canada, and Bermuda from the tax. No action is expected, however, before late 1977. However, before late 1977, into Canada last year a \$60m. loss.

The Canadian travel industry, looking far afield, sees the development of tourist attractions, especially in the business in the season months of spring and autumn. Also being a flat-rate hotel and rates passes similar to the E and Eurail passes, as national rating system Canada's hotels and restaurants.

Robert Tur

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B.C. Central Credit Union	Hudson's Bay Company Properties Limited
British Columbia Forest Products	Inland Natural Gas Company Limited
Canadian Imperial Bank of Commerce	International Harvester Credit Corporation of Canada, Limited
Canadian Industries Limited	Kinross Mortgage Corporation
Canadian Pacific Securities Limited	Laidlaw Transportation Limited
Chrysler Credit Canada Limited	Massey-Ferguson Limited
Cominco Limited	Bank Overseas Holdings Limited
Crown Trust Company	Saskatchewan Wheat Pool
The Consumers Gas Company	Toronto Eaton Centre
Dominion Foundries and Steel Limited	Union Gas Limited
Dominion Stores Limited	United Grain Growers Limited
The Edmonton Centre Limited	

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**ALUMINIUM**

**Lower rate of growth**

CANADA'S ALUMINIUM industry, the world's largest after the U.S. and Japan, is adjusting to rather lower rates of market growth after running primary capacity near maximum for most of this year. The reason is the faltering recovery in most countries of the non-communist world.

But the industry remains optimistic about medium-term prospects and has begun expanding plant at the primary and semi-fabricating level, with greater confidence that the money can be found. Demand, particularly for transportation and construction products is expected to remain strong for many years.

While the North American producer price has gone from U.S.48 cents to 53 cents per pound of ingot in about a year, there is now some inventory building and some price discounting.

The Canadian industry had expected growth in demand of 7-10 per cent in 1977, based mainly on strong U.S. economic recovery. Now this forecast has been cut back to around 5 per cent, and further growth of 5 per cent is predicted for 1978.

A year ago, Alcan Aluminium, by far the largest primary producer and fabricator, was just re-starting its Quebec pollines after a bitter strike lasting nearly six months. The strike at Kitimat, in northern British Columbia, had been settled swiftly, but the smaller Shawinigan smelter in Quebec remained on strike until February this year.

The new Quebec contracts have 18 months to run and the Kitimat contract about two years. It took some time to get the Quebec smelting system back into full operation, but Alcan's labour relations are now much improved.

The company has gone ahead with the \$200m. first-phase Grande Baie expansion (63,000 short tons) on the Saguenay, has started up a new cable plant at Quebec City to make transmission cable for the James Bay hydro project, and is taking the next steps in the long-term expansion of its worldwide business.

Alcan will shortly confirm the go-ahead on the alumina project in Ireland. This is geared to the European smelting system, and the capital cost is now estimated at around \$500m.

There is a strong possibility that the U.S. Reynolds Metals group will expand its 190,000 tons smelter at Baie Comeau, on the St. Lawrence North Shore 500 miles northeast of Montreal. The company has recently added to its fabricating capacity at Trois Rivieres. The political situation in Canada and the future of Quebec could affect the timing.

Both companies are large factors in the fabricated products end of the industry in Canada, with operations from coast to coast. Generally the Canadian market for aluminum products, from transportation and construction goods to consumer items, has been growing in line with GNP. Roughly half the industry's ingot is shipped to export markets, mainly the U.S.


The key to Canada's aluminum industry is still relatively cheap sources of energy and deep water access for raw materials. Alcan has 3,500MW of captive power in the Saguenay region and in Northern British Columbia. Its average cost is usually estimated at between 0.2 and 0.3 cents per kWh, which is becoming more and more favourable by world standards.

Alcan has renegotiated its water tax rates with the Quebec government, and it will be paying several million dollars a year more. The new rate is indexed to the heavy industrial rate of Hydro Quebec, the provincial power utility. Both on the Saguenay and at Kitimat, Alcan has sufficient hydro power resources in reserve to take care of primary smelting expansion for at least the next ten years. If it decided to add more than about 30,000 tons at Kitimat, it would have to undertake the high-cost expansion of the Kemano hydro system.

The company's smelting capacity in Quebec will rise to 780,000 tons a year with the new \$300m. expansion on the Saguenay at Grande Baie. This is the first stage of a ten-year expansion and moderate programme for the whole smelting system. Arvida plant is still the largest smelting centre.

Alcan does not operate at Arvida, and the world's most advanced continuous-casting system, producing sheet and also most modern rod and main Canadian centre is at Kingston, where it has 150,000 cold rolling capacity. The Canadian people, roughly half in the Canadian

CONTINUED ON NEXT PAGE



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**Windsor-Essex County Development Commission**

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# Still in the black

ADAM'S MAJOR steel labour contract expires. The profit of Dominion Foundries and Steel (Dofasco) of Hamilton was less affected by these costs because it owns a smaller portion of its raw material sources. All three mills anticipated adequate supplies of coal and iron ore from alternative sources.

Steelco had a profit of \$62.4m. or \$2.34 a share on sales of \$1.1bn in the first nine months of this year, compared with \$1.1bn in the first nine months of 1976. Production so far this year has averaged 90 per cent of capacity.

Dofasco had a profit of \$45m. or \$2.86 a share on sales of \$678m. in the first nine months, compared with \$82.1m. or \$3.31 a share on sales of \$681.4m. a year before. Most of the three major mills to sheet steel production, it operated at 100 per cent of capacity in the first nine months, producing 2.52m. tonnes of steel, against 2.5m. tonnes.

Algoma, most heavily oriented at the three structural and plate steel, had a profit of \$21.5m. or \$1.2 a share on sales of \$502.4m. compared with \$16.8m. or \$1.21 a share on \$437m. a year ago. Averaging 83 per cent of capacity, steel production was 2.27m. tonnes, compared with 2.22m. a year earlier. But before a tax credit and equity in the profit of an associated company, Algoma lost 440,000 in the first nine months, compared with a loss of \$11.5m. a year before.

For all three companies the after-tax returns on sales are holding up reasonably well by world standards. Steelco's was 5.7 per cent in the first three quarters, Dofasco's 6.6 per cent, and Algoma's 4.8 per cent, compared with averages for the period 1967-76 of 3.7 per cent, 9.6 per cent and 8.3 per cent respectively.

## Prosperous

Not only are Canadian steel companies more prosperous than their U.S. counterparts, their prices are lower as well. How do they do it? Canadian steel management's enjoy expounding their theory of relative prosperity but unfortunately it does not seem fully to explain their companies' performance. They say they have escaped some of the lash of cyclical demand by building only enough capacity to supply normal domestic demand. Thus their operating rate has averaged 87 per cent over the last 20 years, compared with the U.S.'s 81 per cent, and Japan's 83 per cent, according to Donald Barnett, a university of Windsor economics professor.

Moreover, Canadian steel demand had grown twice as fast as U.S. demand in the last two decades because of the Canadian economy's lesser state of maturity. This has allowed the Canadian steel industry to justify and pay for more rapid expansion. Canadian mills have added to their assets at a rate of somewhat over 10 per cent a year in the last decade. This compares with about 5 to 6 per cent in the U.S. industry and 12 to 15 per cent in the Japanese. So the average age of Canadian plants is about ten years, the U.S.'s over 15 years and Japan's about seven years.

Canadian output has expanded faster than demand by edging out imports. Currently, exports equal roughly 10 per cent of Canadian production and balance imports. U.S. output has expanded more slowly than demand, allowing imports to increase their market share.

Raw material costs, like productivity, are virtually identical for the Canadian and U.S. industries. Labour costs are fractionally lower in Canada because of a smaller fringe benefit package. According to Stelco president John Allan, the Canadian industry's superior performance hinges on its higher operating rates.

The ratio of Canadian to U.S. prices had fallen to 78.8 on hot rolled sheet from 123.4 in 1955, to 72.6 on hot rolled sheet from 111.3 and to 74.0 on cold rolled sheet from 115.1, according to the Canadian Government's steel profits inquiry in 1974. The persistent price gap and the nature of the Canadian market—small and spread across 4,000 miles—has deterred foreign steel-makers. They have turned to the U.S. market instead where they have made inroads to the detriment of domestic producers. But foreign steel still sells in Canada and the Canadian mills are fighting it in the market-place and in the anti-dumping tribunal in Ottawa.

The domestic mills stoutly maintain that they do not discount from their regular price lists to fight imports. But stories persist, particularly in eastern Canada, of the mills selling first-grade steel, at second-grade prices, of dropping price extras and of picking up some freight charges. British Steel Corp. sells steel in Canada "at or marginally under Canadian domestic prices," according to Boyd Whittall, President of BSC Canada, a division of British Steel Corp. Canada of Toronto.

The level of Canadian imports of foreign steel has remained basically flat over the last seven quarters, but the industry worries that imports will rise if the U.S. gets tough about the rising tide of them there. However,

Roderick Oram



# International Banking

Between January 1976 and October 31st 1977 Orion Bank was lead manager or co-manager of the following transactions for major Canadian borrowers.

- Aluminum Company of Canada Limited**  
US \$50 million 9 1/2% Debentures due 1988
- Calgary Power Ltd.**  
Can. \$20 million 9 1/2% Bonds due 1982
- Canada Trustco Mortgage Company**  
Can. \$25 million 9 1/2% Debentures due 1981
- Canadian Pacific (Bermuda) Limited**  
US \$40 million 8 1/2% Notes due 1984
- Canadian Pacific Securities Limited**  
Can. \$35 million 9 1/2% Notes due 1983
- Consolidated-Bathurst Limited**  
US \$25 million 9% Debentures due 1992
- The Great Lakes Paper Company, Limited**  
US \$20 million 8 1/2% Debentures due 1984
- Walter E. Heller, Canada, Ltd.**  
Can. \$15 million 9 1/2% Notes due 1981  
Can. \$25 million 9 1/2% Notes due 1984
- Hydro-Quebec**  
DM 200 million 6 1/2% Bonds due 1987
- Province of Manitoba**  
US \$50 million 8 1/2% Debentures due 1983  
DM 150 million 6 1/2% Bonds due 1984
- Municipal Finance Authority of British Columbia**  
Can. \$25 million 9% Bonds due 1985-1997
- PanCanadian Petroleum Limited**  
Can. \$35 million 9 1/2% Debentures due 1983
- Province of Quebec**  
DM 150 million 7 1/2% Bonds due 1987  
DM 150 million 7 1/2% Bonds due 1987  
US \$300 million 7 year floating rate Euroloan
- The Royal Bank of Canada**  
Can. \$35 million 8 1/2% Debentures due 1982  
Can. \$35 million 9 1/2% Debentures due 1988  
Can. \$40 million 8% Debentures due 1984  
Can. \$40 million 9% Debentures due 1992
- RoyMor Ltd.**  
Can. \$30 million 9 1/2% Debentures due 1982
- RoyNat Ltd.**  
Can. \$20 million 9 1/2% Secured Notes due 1981
- Province of Saskatchewan**  
US \$75 million 8 1/2% Bonds due 1986
- Simpsons-Sears Acceptance Company Limited**  
Can. \$20 million 9 1/2% Secured Debentures due 1983
- Traders Group Limited**  
Can. \$25 million 9 1/2% Senior Secured Notes due 1982

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Province of British Columbia Ministry of Economic Development

## LUMINIUM

CONTINUED FROM PREVIOUS PAGE

als group, which now employs well over 3,000 people, rates the Baie Comeau plant, the Trois Rivieres seating plant, a rod, wire cable plant also in Quebec, other extrusion and fabricating operations in Quebec and Rio. Its sales network is coast-to-coast, and it supplies finished products to independent fabricators and distributors.

Aluminum has an union plant in Toronto and construction products for distribution across the country. Douglas Canada, based in Montreal, is a major distributor of construction products. The Supreme Aluminum Industries in Toronto specializes in aluminum home products. If industry employment is at 50,000.

The industry's total annual capacity is about 1.2m. all based on hydro power. Quebec, the power comes from Hydro-Quebec at rates which are likely to remain favourable.

The measure of Alcan's comeback from the serious 1976 loss can be seen in its results the first nine months of this year. Total group consolidated income was \$138.8m. or 33 cents a share against \$21m. or 5 cents a year earlier, which included part of the strike loss in Canada. Sales were up against \$1.9bn. and shipments of aluminum in all forms 1,090,000 tons against 7,100 tons. The strikes had not foreshadowed, of course, the trend in the second quarter.

While the Alcan water tax was renegotiated, the industry has maintained fairly good relations with the government of Premier Rene Levesque. One reason is that annual sales of around \$1.9bn. in the province, and while half of this represents exports to U.S. and international markets, a very significant value is still added to ingot produced.

Reynolds uses about 50 per cent of the ingot produced at Baie Comeau in its Quebec and Canadian fabricating operations. The figure for Alcan is about 25 per cent, partly because of the huge scale of its smelting operations on the Saguenay.

But in any case, the capacity of the industry to generate export earnings would be essential even if Quebec were to separate from Canada. It is probable that Government statements calling for a higher level of transformation of aluminum ingot in Quebec have been over-emphasized.

The fact is that the level of transformation in Quebec has been steadily rising, especially since the last world war. The industry came to Quebec because of the cheap power available, and this offset disadvantages, such as distance from the main world markets and the world tariff, which is scaled upwards depending on the degree of fabrication.

Alcan, which has been concentrating investment on the fabricating side of its world business since the end of the 1950s, is only too eager to get the added value from greater transformation in Quebec—but insists this must be done on the basis of market economics and should not be State subsidized.

One of the most encouraging areas is aluminum auto parts. At present the average North American car contains about 60 lbs of aluminum, and this is expected to double at least by the mid-1980s. Several years ago Alcan and Ford of the U.S. discussed the possibility of locating a foundry at Arvida based on hot metal shipped from the smelters. It fell through because the economics were not right at the time.

The Government now claims it is negotiating with two U.S. companies with a view to their setting up fabricating plants in Quebec to produce aluminum auto parts.

The comparison is sometimes made between the aluminum industry in Quebec and the asbestos industry. The Government

R. G. Gibbens



# Signs of reviving optimism

THE ENERGY switchback is on the way up in Canada. Muted optimism is spreading once again about the outlook in general and for oil and gas in particular, alleviating the deep gloom that resulted from the realization more than two years ago that Canada would become a net importer of energy.

That realization was an important contributor to the gathering scepticism with which Canadians have been viewing their economic prospects as a whole. Improved sentiment about the energy outlook could therefore have an important psychological impact in its turn.

What are the reasons for believing that the energy outlook is better than has been supposed for some time? They can be summarised as follows. New oil finds have been made in Alberta which, together with finds of gas there, have brought exploration activity to a peak in western Canada, the centre of the industry so far; gas has been found in the Beaufort Sea off the coast between the Mackenzie Delta and the Alaskan border; the Syncrude plant for extracting oil from the Athabaska tar sands will be coming on stream next year with an initial capacity of 82,500 barrels a day; and the day in the early 1980s is approaching when the gigantic James Bay hydro-electric scheme will be producing power instead of merely swallowing \$2bn. a year.

None of this is especially new, or where it is, as in the case of the Alberta oil find or the gas in the Beaufort Sea, the scale of the find is uncertain at best. But what it all really adds up to is a reminder that almost every other developed economy, Canada does have energy resources that are going well into the 20th-century unlike, for instance, North Sea oil.

True, they will not make Canada self-sufficient. They are also expensive. So, by the standards of the day, was Albertan oil when it was found more than 30 years ago; now it is perfectly competitive.

Synchrude at one time was expected to be competitive given an oil price of \$11. The world price in the meantime has gone up to \$13.50. Cost overruns probably mean that to break even Synchrude would need a bit more. But the margin may be less than 12 per cent, or so.

The oil strike in Alberta was made by Chevron in the Pembina area, west of Edmonton. Other companies have found oil there since. It is described as the first major discovery in the Canadian West since 1907. The real significance is that the oil in the Devonian, a geological stratum from which Albertan oil has so far come.

There is therefore a hope that oil exists in quantity below the present fields, though at the moment everyone is very careful in assessing prospects. There is certainly no guarantee that the conventional oil industry (as opposed to the extraction of so-called synthetic oil from the tar sands) has received a new lease on life in Alberta.

The fact that additions to reserves of natural gas actually exceeded extraction from the western fields in 1976, and that new small pools are continuing to come on stream, does not in fact greatly alter the long-term outlook. The gas was known to be there, but the fact also is that Canada has run into a medium-term surplus which is available at a moment when it is most welcome for reasons of external payments.

It has been Ottawa's policy to phase out oil exports over the next few years and also to run down exports of gas to the U.S., though to a lesser degree. The latter process may now be arrested for some time to come.

The gas discovery in the Beaufort Sea was made by Dome Petroleum, and probably not even the company knows how big it is; exploration has been suspended for the winter. Rumours thrive in such situations, and it remains to be seen whether the find really is as big as some of the rumours would have one believe. In any case, it will be well into the 1980s before the gas, if enough is there, can be brought to market (or be economic).

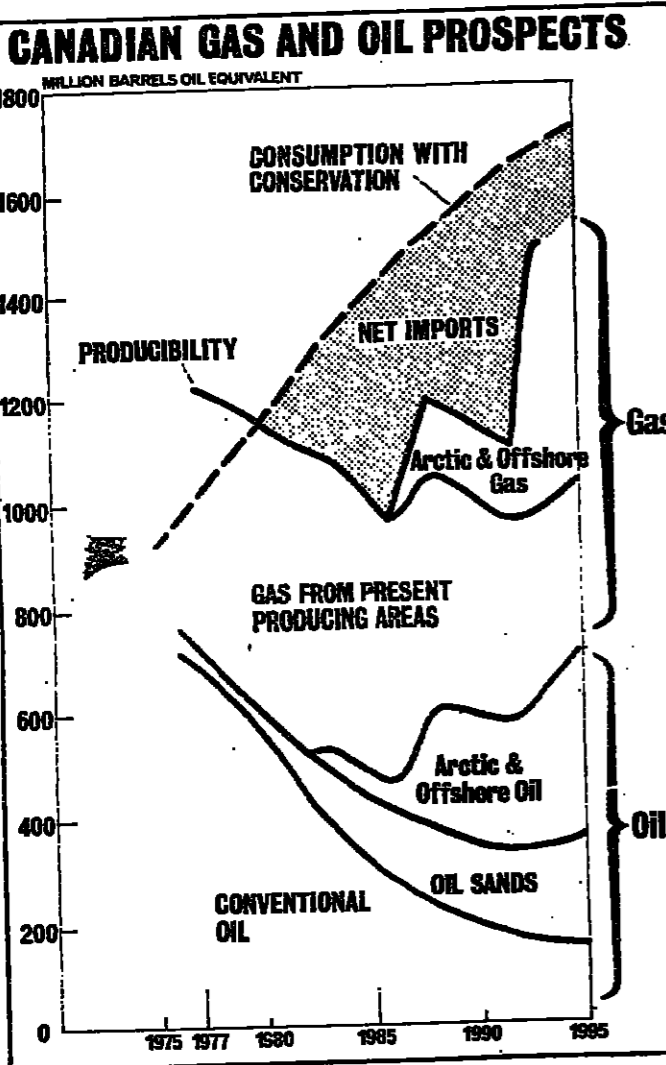
That proposal could mesh in before all the answers are found. build an upgrading plant to turn into synthetic crude the bitumen high as in all the other non-conventional areas including the Alberta tar sands. But the reasons for going ahead become plain if one looks at the proved and estimated reserve figures. Proved reserves of gas in the West amount to 60,000bn. cu. feet in the frontier areas only. The plant would scale up an existing "huff and puff" pilot plant to 229,000bn. cu. feet with a 90 per cent degree of certainty, and then "huff" draws it up into the surface.

Officials estimate that during the next 15 years energy projects will gobble up \$180bn. (without allowing for escalation another \$bn. barrels or more.) That on top of that there are as many as 250bn. barrels in the tar sands and heavy oil deposits of Alberta and Saskatchewan, reviewed in this article, and technology proved so far could only get out a fraction of that. Nevertheless, once the necessary fiscal regime has been created officials think they will not have to wait very long for a first application to build an upgrading plant to turn into synthetic crude the bitumen to be found in the Lloydminster area.

Besides, Imperial Oil (Exxon) has applied for a permit for a plant to extract 100,000-125,000 barrels a day from the heavy oil deposits at Cold Lake. The cost is estimated at, say, \$3bn. 7 per cent annually to keep the plant up and running, and it must expand its capacity to meet demand, but reckons 6 per cent is all it can manage because the provincial government has rationed borrowings.

Hence in Ontario—and where, too—you will see notices asking people to energy: switch off the light of the TV, use the stairs impact is negligible. It has not reached the chambermaid who makes rooms in the mornings, lo-pulls down the blind switches on all the lights welcomes the guest when returns at night.

Hydro is expanding its own generating capacity by the same amount and in much the same time, with two-thirds of the capacities to be nuclear.



Projections, assuming maximum exploration and development, show how the oil sands could become increasingly important, together with oil and gas from the Arctic.

## Pipeline

Two possibilities exist for bringing Beaufort Sea gas south. It could move along a pipeline to be built along the Mackenzie River, or it could be pumped into a spur line leading to the Alcan route. The latter has now been agreed between Canada and the U.S. as a transit route for Alaskan gas through northern British Columbia and Alberta.

The Alcan pipeline is discussed in detail elsewhere in this survey. Its chief sponsor is Alberta Gas Trunk Line (AGTL), which would also be in charge of the spur line along the Dempster Highway should it be built. But AGTL would also be the front runner for the alternative route along the Mackenzie River (not to be confused with the Mackenzie Valley Pipeline for Alaskan gas which is dead).

Whether Dempster or Mackenzie is chosen for Canadian gas in the Mackenzie Delta and the Beaufort Sea depends on how much is found, and when it becomes available, principally in the Beaufort Sea. The 7,000bn. cubic feet proved in the delta are not sufficient to warrant a pipeline of their own.

An application is expected to be lodged soon for permits eventually to build a pipeline to bring gas south from the islands in the Canadian Arctic to Ontario. That is a project for 1985 or beyond; the

## PETROCHEMICALS

# Plant capacity piling up

not have the power to authorise increased gas exports or a new trade deal for Alberta plants with the U.S. These are up to the Canadian Federal Government though, as it has in the past, Ottawa is likely to see things Mr. Loughheed's way, if for no other reason than it is godfather to one of the two key plants being added to Canadian capacity.

That plant is the Sarnia, Ontario, plant of Petrosar, which is partly owned by Polysar, a Federal Crown corporation. Petrosar, which became fully operational last month with the start-up of the Olefins unit, has the capacity to produce 1bn. lb. of ethylene a year, plus some propylene benzene and butadiene. When going as full bore, the \$650m. complex will process 170,000 barrels of crude a day.

But Petrosar runs directly into the depressed Eastern Canadian refining market. When fully operation it will produce about 110,000 barrels a day of fuels, the bulk of which will comprise 70,000 b/d of residual fuel oils and 31,000 b/d of middle distillates.

Nor are they likely to improve. The surplus capacity in Eastern Canada will be added to next summer when Texaco Canada starts up its 95,000 b/d refinery at Nanticoke on the shore of Lake Erie. At the start this refinery will have a volume of 56,000 b/d but the net increase in the refinery run in Eastern Canada will be only 16,000 barrels a day at the start as Texaco will cut back production at its 48,000 b/d Port Credit refinery and cancel a 10,000 b/d processing agreement.

When Petrosar and Nanticoke are fully on stream, the Ontario refining industry will be operating at 71 per cent of capacity, compared with the 81 per cent it was operating at before the two started up. With this surplus capacity hanging over the market, price competition is expected to be fierce.

But it is not the Petrosar plant and depressed Eastern Canadian market that are Mr. Loughheed's concern as he pushes for a better deal for Canadian petrochemicals in U.S. markets.

fact he tried to block the building of Petrosar. His concern is the second key plant in the expansion of petrochemical capacity now under way in Canada. That is the Joffre, Alberta, ethylene plant of Alberta Gas Ethylene Co. This plant will have the capacity to produce 1.2bn. lbs a year of ethylene from ethane, which will be stripped from the province's natural gas stream before it leaves the province.

Both the Sarnia and Alberta plants have prompted construction of a wave of secondary derivative plants.

At Sarnia Shell Canada is spending \$100m. on a polypropylene plant with a capacity of 150m. lb. a year that will use ethylene from the Petrosar complex. This plant is scheduled for completion next year. Shell is also spending \$22m. to double the capacity of its aromatics plant at Sarnia to 40m. gallons a year. Shell is building a \$45m. isopropyl alcohol plant at Sarnia with a capacity of 200m. lb. a year.

Union Carbide Canada is a \$170m. plant at Sarnia to produce 350m. lb. a year of high and low density polyethylene, while Polysar is building a \$90m. styrene monomer plant with an annual capacity of 600m. lb. and Du Pont of Canada is spending \$45m. to raise its polyethylene capacity to 450m. lb. a year.

The Shell Canada polypropylene plant illustrates some of the problems faced by the Canadian industry. The third major petrochemical centre in Canada, B. F. Goodrich Canada is doubling capacity at Niagara Falls, Ontario from 200m. to 400m. This expansion is scheduled for completion in April 1979.

In Alberta, Mr. Loughheed is concerned with the wave of derivative plants that will follow the expansion of ethylene capacity. He would like to see a second ethylene plant, ethane as a feedstock, in the early 1980s. A number of other Alberta projects, the approval stage. Loughheed's Cabinet has given permits on two other which the Alberta Resources Conservation has approved.

One is the construction of a 600-tonnes-a-day methanol plant at the Medicine Hat, Alberta Gas Chemicals would double its capacity to 2,400 tonnes daily. This is a \$225m. benzene plant, which would use ethane as a feedstock by the Alberta Energy Co. Hudson's Bay Oil and Gas Company and Mitsubishi Petrochemical and Mitsui Chemicals are also recommended that project does not go ahead.

then a benzene plant by Alberta Gas Trunk Chemical and Mitsui Chemical be approved. Cabinet.

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The Shell Canada polypropylene plant illustrates some of the problems faced by the Canadian industry. The third major petrochemical centre in Canada, B. F. Goodrich Canada is doubling capacity at Niagara Falls, Ontario from 200m. to 400m. This expansion is scheduled for completion in April 1979.

In Alberta, Mr. Loughheed is concerned with the wave of derivative plants that will follow the expansion of ethylene capacity. He would like to see a second ethylene plant, ethane as a feedstock, in the early 1980s. A number of other Alberta projects, the approval stage. Loughheed's Cabinet has given permits on two other which the Alberta Resources Conservation has approved.

One is the construction of a 600-tonnes-a-day methanol plant at the Medicine Hat, Alberta Gas Chemicals would double its capacity to 2,400 tonnes daily. This is a \$225m. benzene plant, which would use ethane as a feedstock by the Alberta Energy Co. Hudson's Bay Oil and Gas Company and Mitsubishi Petrochemical and Mitsui Chemicals are also recommended that project does not go ahead.

then a benzene plant by Alberta Gas Trunk Chemical and Mitsui Chemical be approved. Cabinet.

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But, there's more.

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**Contact:** Mr. J.A. McDonald, Vice-President, Corporate Development, Canadian Pacific Limited, Windsor Station, Montreal, Quebec, Canada H3C 3E4

CP Rail operates 26,249 kilometres of track across Canada with direct rail connections to the United States, and controls another 7,360 kilometres through its subsidiary, Soo Line Railroad, operating in the Midwest U.S.A. CP Rail is a major

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# The Alaska project

DA HAS taken the Pipelines, joined the project and approved a joint team. TransCanada, with gross natural gas pipeline assets of \$1.8bn, built and operates the system carrying Alberta gas into central and eastern Canada.

At present, TransCanada has a 20 per cent equity interest in Foothills Pipelines (Yukon) of Calgary, the Canadian parent company in charge of the Alaska Highway gas pipeline project. Westcoast and Alberta Gas Trunk both have a 40 per cent interest in Foothills, though consideration is being given to issuing public shares in Canada and reducing the Westcoast and Alberta Gas Trunk interest to as little as 33 per cent each.

## Consortium

The consortium, to make financing of this mammoth project a little easier, will split up the pipeline into sections within Canada. It will be exclusively responsible for the tricky most northerly section of the pipeline through the Yukon. In Alberta, the consortium will own 51 per cent of an operating subsidiary, with the remaining 49 per cent owned by Alberta Gas Trunk, the local pipeline company and the company that will actually do the building and running of that portion of the pipeline. In northern British Columbia, Westcoast will own the 49 per cent share and will build and run the section; in southern British Columbia, Alberta Natural Gas Pipeline Company (which operates a pipeline from western Alberta to the U.S. Pacific Northwest) will be responsible for the western leg of the pipeline; and TransCanada will take on the eastern leg through Saskatchewan into the U.S.

The U.S. partners, led by Northwest Pipeline Corporation of Salt Lake City, will be responsible for the Alaska section (paralleling the recently-completed trans-Alaska oil pipeline for a large portion of the route) and for the new and connecting pipelines in the U.S. lower 48 states.

If the pipeline project can be kept within the fiscal limits that proponents believe it can—that is, \$1,000-million or less—it is possible that the project can be financed without too much difficulty despite its size. The situation would be improved if the southern parts of the pipeline could be built early and be used to transport surplus Alberta gas to U.S. markets until the time Alaskan gas starts to flow. This approach would not only generate cash flow and reduce the amount of money that would have to be borrowed for the northern project; just as important, it would provide lenders with a financial track record on which to make later investment decisions on the financing of the northern and more difficult sections of the pipeline.

The Alaska Highway pipeline, the Alaska Highway like other projects of its size, a third Canadian gas will be "project financed" by a consortium with only one initial task, to build and operate a mammoth pipeline. Until the pipeline is built and the gas starts flowing to customers, the project has no significant assets to produce cash flow. And even when the pipeline starts operating, the financial exposure continues: if the northern gas flow is interrupted for any reason, the revenue stops, even while huge debt service obligations continue.

Even if the participating companies in the project were willing to put their assets on the line, there would not be enough total resources to cover a non-completion contingency and there might not be enough to cover a lengthy interruption contingency. The project had proposed that the two governments allow an "all-events" tariff which would, in effect, have shifted the responsibility on to the customer gas utilities. This concept has been rejected by Canada and the U.S. and the project is trying to develop a modified "minimum billing" or "some events" tariffs that would at least cover debt service in the event of an interruption of service.

Nevertheless, now that the U.S. Congress has blessed the project and now that Canada is preparing comparable enabling legislation, all eyes are focused on financing—can private industry do it alone, or will the consortium have to come back to governments and request direct or indirect assistance?

The financial overtures will be made to the Canadian and U.S. financial institutions—the pension funds, insurance companies, banks and government investment corporations—late in 1978 and early in 1979. The Foothills consortium has made a lot of promises: that it will attempt to achieve Canadian content of the materials for the

Ontario, in a move that will reduce capital spending by almost \$100m. in 1978 and by \$80m. in 1979.

The company said it is slowing down construction, originally scheduled for completion in 1979, in view of the current world market conditions for zinc and copper, which may continue for some time, and their effect on earnings and cash flow. The expansion, which began in 1976, involves a \$280m. construction of a new refinery and copper smelter to increase rated capacity to 150,000 tons of refined copper a year from 65,000 tons, and a \$140m. mill expansion that will raise milling capacity to about 5m. tons of ore annually from 3.5m. tons.

Johns-Manville Corporation of Denver said it is "considering" its investment plans in Quebec following the statement of Premier René Lévesque that the Government will be watching the performance of the other major asbestos producers in the Province. Mr. Lévesque said he had "very much in mind" their investment decisions and plans to upgrade output that would result in the creation of jobs in Quebec. By buying Asbestos Corporation the Government would immediately have access to all stages of production of asbestos, including marketing.

Mr. Lévesque said that negotiations for the purchase are underway with General Dynamics of St. Louis, which has a 54.6 per cent interest in Asbestos Corporation, but no agreement has been reached. These talks could become bitter in view of General Dynamics' statement that it has no desire to sell its holdings.

Politicians are becoming more aware of the role of the

Canadian portions of above 90 per cent: that the equity will be Canadian controlled; that it will not need government financial assistance; and that in seeking a 75 to 25 debt to equity split, it shouldn't have to tap financial markets outside the U.S. and Canada. Meeting the Canadian content target will mean that the consortium might have to forego cheaper long-term financing which often accompanies foreign purchases (just as one example of how complex it could get). And if the project is forced to seek money outside Canada and the U.S., foreign lenders might insist that more goods and services be purchased abroad.

One group which is watching with interest is the Polar Gas consortium that is only now preparing to start the regulatory review procedure in Canada on a proposed second northern gas pipeline—this one from the High Arctic Islands (Melville

Island, to start with) where upwards of 13,000m. cubic feet of gas have already been found. The price tag in 1978 Canadian dollars, is \$8.1bn. (\$10bn. or more after escalation into dollars as spent) and the technological problems (crossing deep, ice-filled channels between islands) are considerably more formidable.

Yet the feeling in the Polar Gas consortium is that if the Alaska Highway project succeeds, then a High Arctic Island pipeline should be possible—especially if Polar Gas learns from the mistakes and successes of its predecessors.

One of the things Polar Gas has already learned is to be eminently flexible, as the Alaska Highway project was in winning the political nod in Washington and Ottawa. Canadian Arctic Gas Pipeline of Toronto, the U.S.-dominated consortium by which the Canadian state oil company, PetroCanada, in partnership with Alberta Gas Trunk, which is studying the feasibility of moving 250m. cubic feet a day of High Arctic Islands gas to eastern Canadian and U.S. markets via special ice-strengthened liquefied natural gas tankers. The LNG project would cost

that would have followed a long strike in the U.S. industry and the possibility of an interruption in the shipment from Zaire, have declined in recent months. The malaise has been reflected in the North American producer price, which dropped by 5 cents a pound in the U.S. to 80 cents and by 4.5 cents in Canada to 64.5 cents a pound.

Although zinc production and consumption are basically in balance, the large inventories that overhang the market have led many producers to cut back production or extend vacation shutdowns. In view of the massive inventories, current production rates and continuing weak demand, the lower smelting operating rates in the industry are expected to be extended through 1978. At the same time, consumption is forecast to increase by only 50,000 tons in 1977 and by 125,000 tons in 1978.

In early October, producers in the U.S. and Canada reduced their zinc prices as a result of significant offerings of price discounted metal of overseas origin.

Copper markets continue to be weak. Indications are that demand has dropped sharply this autumn so that producers are accumulating further inventories despite production cutbacks.

With producers facing the possibility of having to liquidate stocks between now and the end of the year to meet cash requirements, chances have improved for further production cutbacks and a new round of price reductions.

Copper futures prices, which increased between January and April this year, mainly on speculation of the lower production

environmental problems highlighted by a unique and lengthy Canadian inquiry into the impact of such a pipeline on the North and its Indian and Eskimo (Inuit) residents: Native and environmental concerns were smaller along the Alaska Highway route and, just as important, the potential political problems were perceived by the Canadian government to be smaller as well. For one, Canada didn't get locked in to a decision on how to tap its own, limited reserves of Arctic gas—that decision can be made several years from now, when more should be known about the location and distribution of northern energy resources.

## Challenger

The Polar Gas pipeline concept is already facing a potential challenger—another group, led by the Canadian state oil company, PetroCanada, in partnership with Alberta Gas Trunk, which is studying the feasibility of moving 250m. cubic feet a day of High Arctic Islands gas to eastern Canadian and U.S. markets via special ice-strengthened liquefied natural gas tankers. The LNG project would cost

Critics of the Mackenzie Valley and Alaska Highway pipelines from the western Arctic argued that there just would not be enough money available in the North American capital markets to finance all of the major capital projects in the energy sector alone during the coming decades, and that governments were making a fundamental error by approving such pipelines, since this has the effect of encouraging rather than discouraging the use of diminishing fossil fuels.

The Canadian government argues, on the other hand, that such major capital projects give Canada (and the U.S.) valuable time to develop other energy resources and at the same time help arrest the trend towards growing dependence for oil on the Middle East. Also, such projects generate much-needed employment.

Iron ore shipments to U.S. steel mills, the industry's main customer, have declined sharply this year, the key problem facing U.S. steelmakers is the influx of cheap foreign steel that has already captured 19 per cent of the U.S. domestic market. A factor that would boost the cost of their steel still higher is the proposed 12.5 per cent increase in seaway tolls for bulk cargoes such as iron ore and pellets.

Iron Ore Co. of Canada, partly owned by Hollinger Mines of Toronto, has protested against the proposed tolls increase in the face of the fact that, in the first time in its history, the company has had to reduce production from its Labrador mines because of poor market conditions.

Gold, molybdenum, and tungsten are about the only bright spots in the metals picture as a result of the growing demand and rising prices. But the near term outlook for other minerals remains bleak.

Quebec mines minister Yves Bérubé has called on the Federal Government to establish a foreign trade policy that is precise and articulate and corresponds to the specific needs of the provinces. To revive the Canadian industry, the MAC has requested a ceiling on the combined federal-provincial taxation and special tax treatment to new mines coming into production during a fixed five-year period to see what effect such treatment has on mine development and exploration.

Lawrence Walsh

## MINING

# Only a few bright spots

THE CANADIAN mining industry appears close to a crisis, brought about by poor demand resulting from a sluggish world economy and aggravated by serious disincentives in the form of federal and provincial government taxation and resource development policies. The result has been a decline in production capacity, layoffs or dismissals, and a rapidly declining pace of exploration and mine development.

A recent survey of capital spending intentions for projects that will take place into the 1980s indicates that the major mining companies plan a 52 per cent drop in expenditure this year to \$1.51bn. from \$2.76bn. in 1976.

Among the key minerals, base metals producers' spending is down 15 per cent to \$859m., uranium spending is off by 20 per cent to \$216m., reflecting the suspension of developments in northern Saskatchewan while environmental hearings are convened, and a 12 per cent reduction to \$87m. as asbestos producers as a result of uncertainties following the decision of the government in Quebec to gain eventual control of Asbestos Corp., a major producer in the Province.

Another survey by the Mining Association of Canada showed that 63 per cent of planned projects and expansion are being deferred, delayed or are awaiting a final go-ahead even though they are economically viable. Of 38 projects studied, only nine are proceeding.

A key deterrent was the announcement by Texasgulf Incorporated, of Stamford, Connecticut, that its plans to "stretch out" work on its \$420m. production expansion at the Kidd Creek copper-zinc complex, near Timmins in Northern

mining industry in the Canadian economy and as an earner of foreign exchange. In the light of the boom-and-bust cyclical pattern of mining which has left the nickel, copper, lead and zinc markets in disarray, the idea that incentives are needed to keep the industry competitive in a worldwide market place is growing.

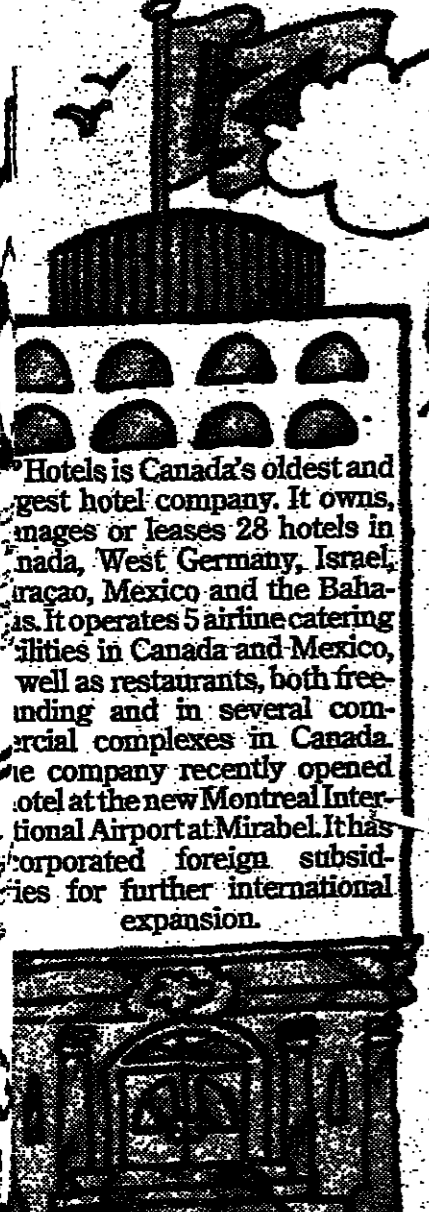
The severity of the situation was reinforced in October by the announcement by Inco of Toronto, the world's largest nickel producer, that it will lay off about 3,400 employees by mid-1978. As a result, production from Inco's Canadian operations will be reduced to 360m. lbs. in 1978, compared with 492m. lbs. in 1976 and a rated capacity in excess of 500m. lbs.

## Angry

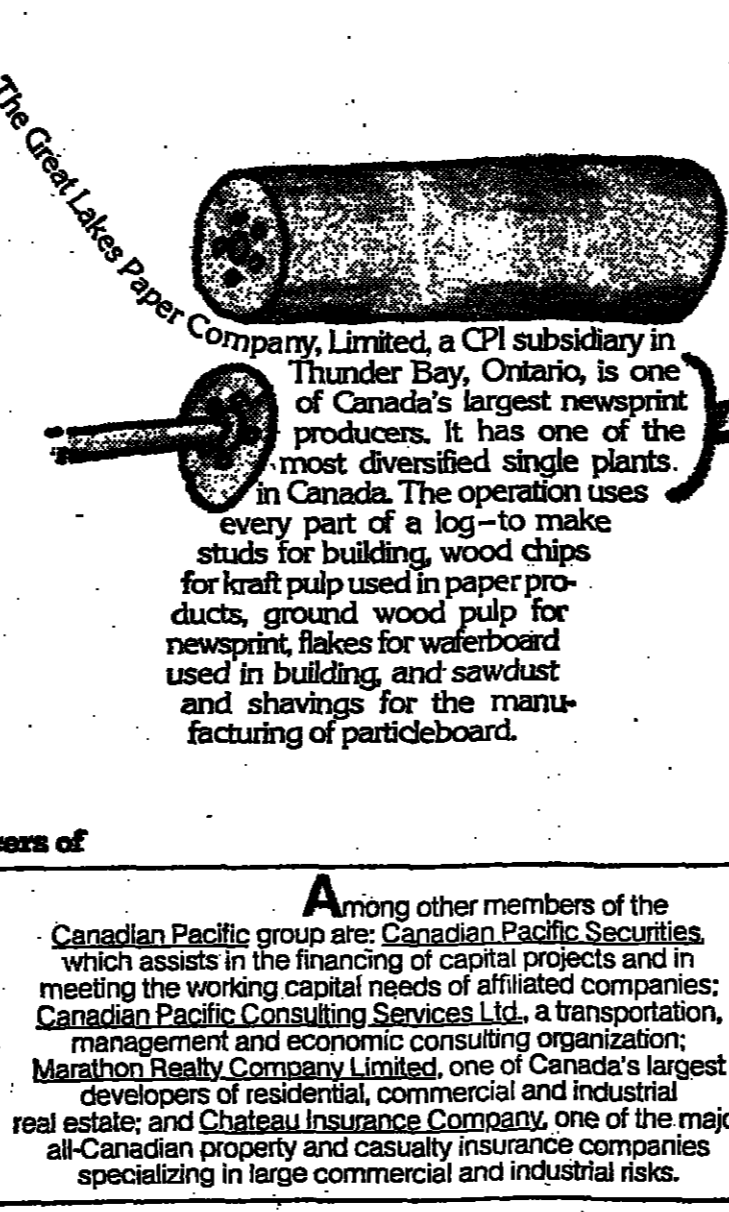
The loud and angry response, especially from opposition political parties in Ontario, where Inco's large Sudbury complex is located, have tended to obscure the seriousness of the company's position in world markets. Excess inventories in the non-Communist world are estimated at between 400m. and 500m. lbs. with Inco having about 200m. lbs. over working levels.

The outlook for early 1978 is still poor because of the very competitive situation in the nickel market, which reflects a very slow recovery in consumption, especially in class one metal which is Inco's forte. In addition, cash problems of new nickel producers are forcing aggressive price discounting, while customers can continue to carry low inventories because of the sizeable redundancy in producers' stocks.

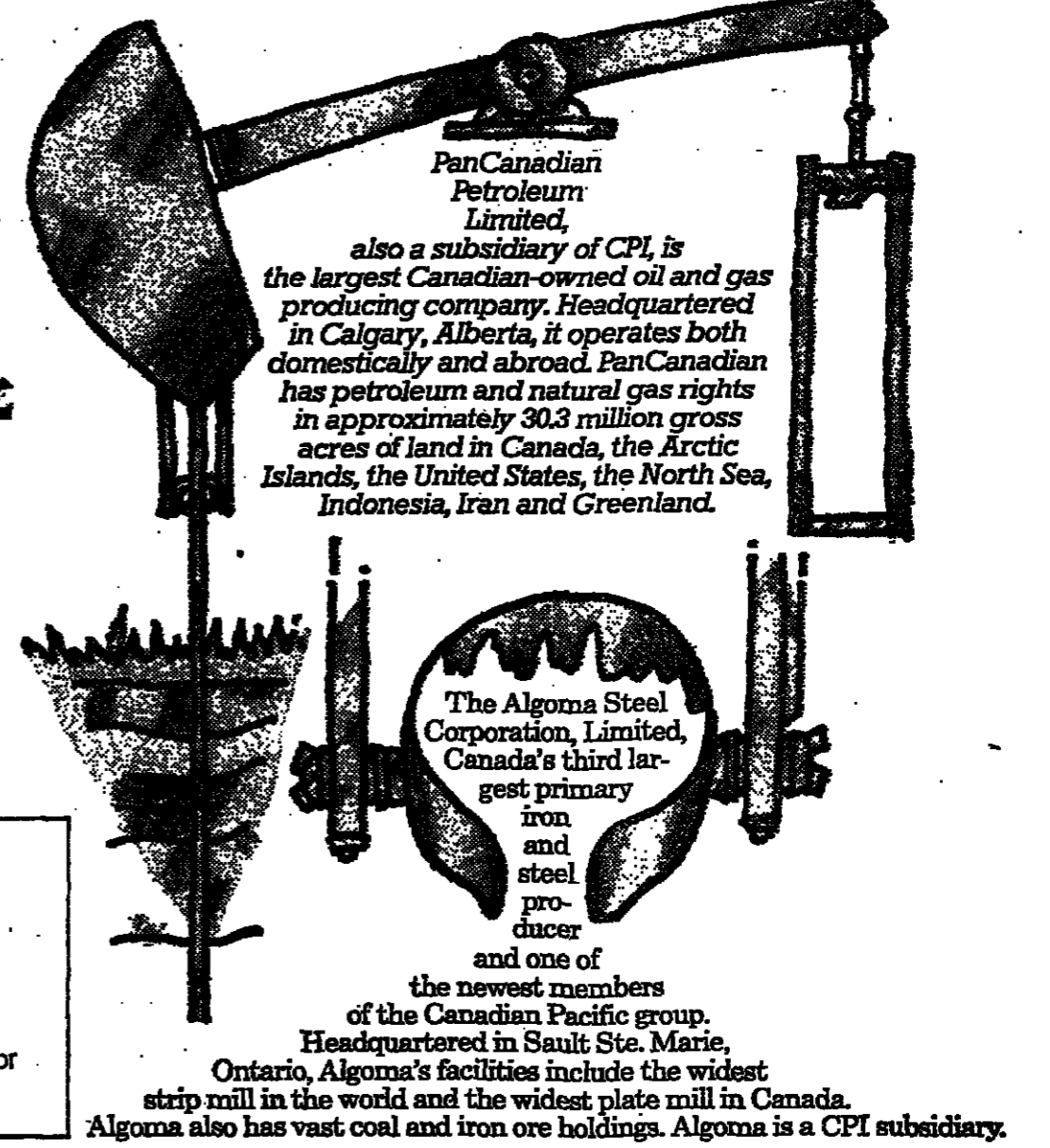
Prices are no doubt going to



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The Great Lakes Paper Company, Limited, a subsidiary of CPI, is one of the world's largest producers of lead and zinc and a leading producer of other metals, fertilizers and industrial chemicals. Cominco's international operations include ventures in the United States, Mexico, Australia, Greenland and Spain, as well as Canada. Cominco is headquartered in Vancouver, British Columbia.



PanCanadian Petroleum Limited, also a subsidiary of CPI, is the largest Canadian-owned oil and gas producing company. Headquartered in Calgary, Alberta, it operates both domestically and abroad. PanCanadian has petroleum and natural gas rights in approximately 30.3 million gross acres of land in Canada, the Arctic Islands, the United States, the North Sea, Indonesia, Iran and Greenland.

The Algoma Steel Corporation, Limited, Canada's third largest primary iron and steel producer and one of the newest members of the Canadian Pacific group. Headquartered in Sault Ste. Marie, Ontario, Algoma's facilities include the widest strip mill in the world and the widest plate mill in Canada. Algoma also has vast coal and iron ore holdings. Algoma is a CPI subsidiary.

Among other members of the Canadian Pacific group are: Canadian Pacific Securities, which assists in the financing of capital projects and in meeting the working capital needs of affiliated companies; Canadian Pacific Consulting Services Ltd., a transportation, management and economic consulting organization; Marathon Realty Company Limited, one of Canada's largest developers of residential, commercial and industrial real estate; and Chateau Insurance Company, one of the major all-Canadian property and casualty insurance companies specializing in large commercial and industrial risks.

# Today's Canadian Pacific. Where we believe what we do is important to you.



ONTARIO

Severe blows on the economic front

THE ECONOMIC realities afflicting most of the industrialized world—virulent inflation and painfully slow recovery from recession—have finally caught up with Ontario and the government and the business community realize that the Province is no longer insulated from world competition in marketing the products of its resource industries. It is facing energy shortages not too far in the future, and appears likely to have unused manufacturing capacity for some time to come. Plant closings, mass layoffs and other reductions in the workforce are on the increase, cutting across most economic sectors and hitting both large and small communities.

In the first seven months of this year there were 132 cases of plant closings and layoffs affecting thousands of workers. The most recent blow to the government's hope that the Province would soon recover from the recession and once again attain vigorous and sustained growth was dealt by INCO, the world's largest nickel producer, which announced a sharp and possibly permanent production cutback at its mines in northern Ontario with the loss of 2,800 jobs.

There are a number of reasons for the pessimism that grips many businessmen. The largest television manufacturers have in the past few months stopped manufacturing in Ontario and will import them instead from the United States and abroad.

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Coveted

In many ways Ontario has lost much of its coveted position as the province that consistently outperformed the national economy.

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ATLANTIC PROVINCES

Little cause for joy

A HALIFAX taxi driver shot himself recently when he couldn't pay \$10,000 owed on an oil company credit card. Seven other suicides in the Cape Breton area of Nova Scotia have been blamed on despair created by persistent unemployment.

Those deaths are the human side of an increasingly serious economic situation facing Canada's Atlantic Provinces. It began in 1973 with the world oil crisis and has deepened ever since.

In relative terms, of course, the area is still very much part of affluent North America. But the kind of expansionary optimism that existed before the 1973 OPEC action has vanished.

Investment has sagged, job creation has slowed and business and consumer confidence has waned. At 13.5 per cent, October's regional average unemployment level was nearly twice the national average and in some parts of the four coastal provinces jobless pockets of up to 30 per cent exist.

It is arguable that the deaths attributed by labour leaders to the discouraging economic situation might have happened anyway.

But the decline of living standards and the obvious state of insecurity generated by the protracted recession are creating strains not only among workers but also in the political fabric of the region.

However fanciful, the story does raise serious questions of how people would react now if options of independence or affiliation with the United States ensued from a break up of Canada because of Quebec.

Premier Gerald Regan of Nova Scotia has called for greater provincial autonomy as well as foster national unity in the face of

Certainly, Mr. Regan believes U.S. annexation would be the inevitable outcome of a wrecking of the economy and a dismantling of the country following Quebec separation.

He argues that the region's future prosperity lies in a continuation of confederation, though under terms which respect the special status and needs of its constitution.

The optimistic view is that Canada will survive its crisis and that out of it will come a constitutional commitment satisfactory not only to Quebec but to the Atlantic Provinces in their desire to see economic disparities removed.

While it has not directly wanted any major inflow of foreign capital into the province, the existence of the area has been a psychological and an annoyance to industry hunters.

Large scale industrial investment powers of the province are being reviewed.

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Large scale industrial investment powers of the province are being reviewed.

Large scale industrial investment powers of the province are being reviewed.



We want you to invest in Canada.

In fact, the Government of Canada is offering financial incentives to entrepreneurs willing to set up new manufacturing or processing plants or to expand or modernize existing plants in certain regions in Canada.

There are different types of incentives from the Department of Regional Economic Expansion (DREE): outright grants, provisional grants and repayable incentives, as well as loan guarantees. Since 1969, DREE has offered more than 500 million dollars to some 3,000 Canadian and foreign firms, helping to generate an investment stimulus of two billion dollars in Canadian industry and business.

Through Federal-Provincial agreements, DREE is also active in a wide range of other development programs designed to stimulate balanced economic growth across Canada: programs which can be very important in decision-making about the location of industry.

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# Threat of wages explosion recedes

BRITISH COLUMBIA, whose biggest competitor, the U.S. (m. inhabitants share a vast. Before the latest agreement sources-rich and picturesque reached in the forestry sector cific coastal province the size in August BC forestry workers Western Europe, is nearing earnings were running some 15 per cent. above those of their U.S. counterparts.

The gap has since narrowed. The U.S. forestry workers received a 10 per cent. rise in mid-year. BC workers finally settled for about 7 1/2 per cent. on a yearly basis. That figure has since emerged as a norm for other BC sectors.

Nevertheless, British Columbia, with its heavily export-orientated economy, has better reason than most provinces to be thankful for the falling Canadian dollar. Quite apart from the need to stay competitive in the all-important U.S. market for forestry products, there had been increasing fears, now to some extent allayed, for a economy were in similarly bleak mood. The stage third largest, which in 1976 topped the Sibn. mark for the first time.

## Increase

Last year, real Gross Provincial Product registered an increase of 5.1 per cent., with the Government forecasting a further increase to the order of 5.5 to 6 per cent. during 1977.

However, this now looks optimistic, despite a strong performance by the lumber section of the forest products industry, where first-half exports rose by 50.1 per cent. this year as a result of the current U.S. housing boom.

The latest Conference Board survey suggests real growth this year of only some 4 per cent., although this is still comfortably ahead of the Board's gloomy 2.9 per cent. forecast for the Canadian economy as a whole. The Board sees some slight relief on the labour front in 1978, forecasting a drop in the jobless figure to 7.9 per cent. But other B.C. forecasters say that a drop of even this size is perhaps optimistic. The problem is hardly one of stagnation, however. The number of jobs available has grown by nearly 3 per cent. this year, but the size of the labour force has grown even faster.

Overall, exports of BC goods in the first half of this year, at \$2.95bn., were 23 per cent. higher in the corresponding period of 1976. Lumber was the star performer, with another bright spot proving to be copper, where exports were up 27 per cent. in value despite a severely depressed world market. Pulp and paper products, another use of rival industries in its highly important sector,

remained deep in the doldrums with exports down about 10 per cent. in quantity and value, while a similar decline in mechanical coal exports reflects the global recession in steel-making.

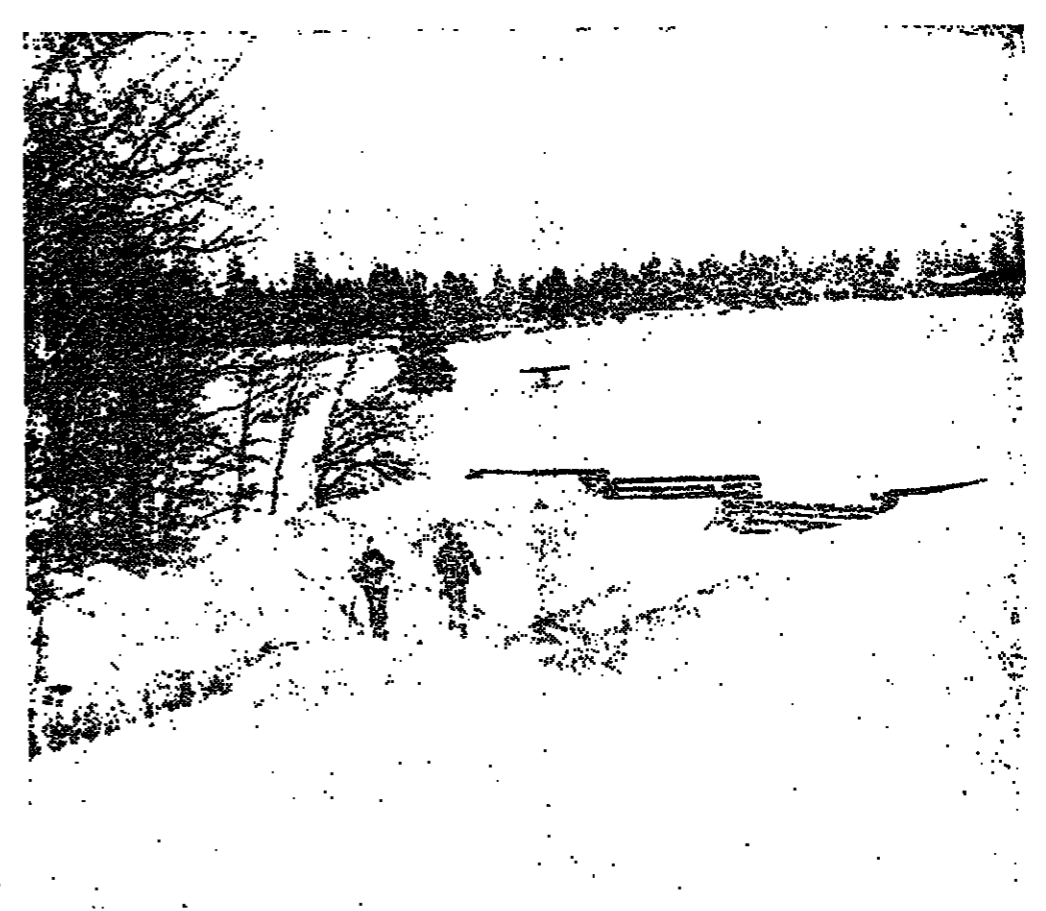
A more positive note is struck, however, by an emerging willingness among the larger industries to step up capital investment in the province after a hiatus of several years. The post-1973 recession was mostly to blame, although a plunge deep into provincial deficit by a free-spending socialist New Democratic Government between 1972 and 1975—after 20 years of rigorous Social Credit fiscal rectitude under the present Premier's father, W. A. C. Bennett—did not exactly help.

A more neutral stance has been taken by the current Government, which in the past year has repealed some fairly punitive NDP legislation on mining royalties and is in the process of unloading most of the private company assets taken over by the NDP. Actions such as those do seem to have had the desired effect of shaking more investment cash loose from corporate pockets and the Government currently is forecasting a 10 per cent. increase in capital and repair expenditures this year to some \$7bn. It has been encouraged so far in the forestry sector by a

\$450m. five-year development plan announced by Macmillan Bloedel, the province's biggest forestry company, a \$125m. pulp and paper plant upgrading programme by Crown Zellerbach, and numerous smaller projects. By comparison with investment levels among rival U.S. producers, however, such funds seem fairly small beer. U.S. investment is said by some analysts to have run at four to five times the British Columbia average throughout the seventies.

On other fronts, Comico has unveiled a \$425m. programme for stepping up zinc and lead production from its mines in the BC interior, while 1977 sales of oil and gas exploration leases, at \$62m., have yielded more than in the previous three years combined. Meanwhile, Federal/provincial studies go on into the feasibility and costs of developing the vast coal deposits in the north-east, which are emerging as the province's biggest long-term asset.

Last year 9m. tons of metallurgical coal worth \$300m. were shipped from southern BC to the Pacific Rim. The question is now whether the port of Prince Rupert, 1,000 miles to the north of Vancouver, can economically be developed and transport links established with the northern coal deposits held by BP and Denison Mines. The



Skiers at 105-mile Ranch, Caribou, British Columbia.

John Griffiths

## ATLANTIC PROVINCES

CONTINUED FROM PREVIOUS PAGE

ent has virtually ceased since the onset of the recession. Even the carryover effect of plans made before 1973 is now disappearing. A number of shiny new ice towers have recently been completed in major provincial centres but in cities like Halifax to 85 per cent. of the available floor space in them remains vacant.

The ill-fated Shaheen Natural sources Co. refinery at Come-Change in Newfoundland was the last of the big industrial projects completed. With the reaction by the receiver of offers received in response to a purchase call earlier this year, the sure of the refinery remains determined.

After 18 months of study, German, Dutch and Canadian companies decided to postpone indefinitely a decision on construction of a \$200m. 10 scale basic steel plant at Miramichi Bay, N.S. The current market for steel could not justify the investment. As a result, the Nova Scotia government is hoping to get additional federal support for a rehabilitation of the technically antiquated Sydney Steel Corp. mill. A favourable federal response is expected, but the announcement might have to await the onset of the next federal election campaign.

Similar reasoning seems to be the only explanation for the continued delay in Ottawa's financial commitment to a long-awaited second container terminal at Halifax. Port officials' future traffic will be lost the \$42m. project is not scheduled soon. The Province has authorised a start on site preparation for the terminal, but would be reluctant to bear the fire cost of the project. In the meantime, shipping business being lost to Montreal, possibly as a result of higher rates and the inland rail freight competition.

Asked about the reduced level investment in the Atlantic region, higher freight rates, and the burden of high unemployment and falling living standards resulting partly from general anti-inflation policies, Trudeau told reporters that the situation would only become worse if he adopted the "wacky nomics" sometimes proposed.

Lyndon Watkins

"We were prepared to assist the establishment of the Gabarus Bay steel plant. But why go ahead with it if a market doesn't exist. Do you suggest we throw the steel into the sea?"

He said all Canadians must realise that circumstances have changed since 1973. The country is not as rich as it thought it was. It will only regain its former status by becoming competitive again in world markets. That suggests continuing hard times for the Atlantic area. With the exception of lumber, most of the region's major industries are performing well below capacity.

New Brunswick has recently agreed on terms for a \$108m. new potash mine by Potash Company of America. But the mining industry generally is depressed because of reduced world demand and lower metals prices.

There have been layoffs in the lead-zinc and iron ore sectors and several potential developments have been shelved. The only bright spot, apart from potash, is coal, where one new strip mine has been developed in Nova Scotia and several others are anticipated. George Wimpey Canada is involved in both development and exploration. Additional underground coal output is also expected following offshore drilling this summer in the large Sydney coal basin.

Newfoundland recently published new provincial offshore mineral regulations. But a jurisdictional impasse with Ottawa, which led to the suspension of drilling in the Labrador Sea this year, continues. The issue is likely to be referred to the Supreme Court of Canada in the second half of 1978.

Resumed drilling on the Scotian shelf around Sable Island has been disappointing and analysts believe the east coast now has a very low appeal for the oil industry. The exception could be the as yet unexplored George's Bank area which straddles the Canada/U.S. border off Nova Scotia. The two countries are expected to approve a suggested sharing arrangement covering hydrocarbons found in the overlapping boundary area.

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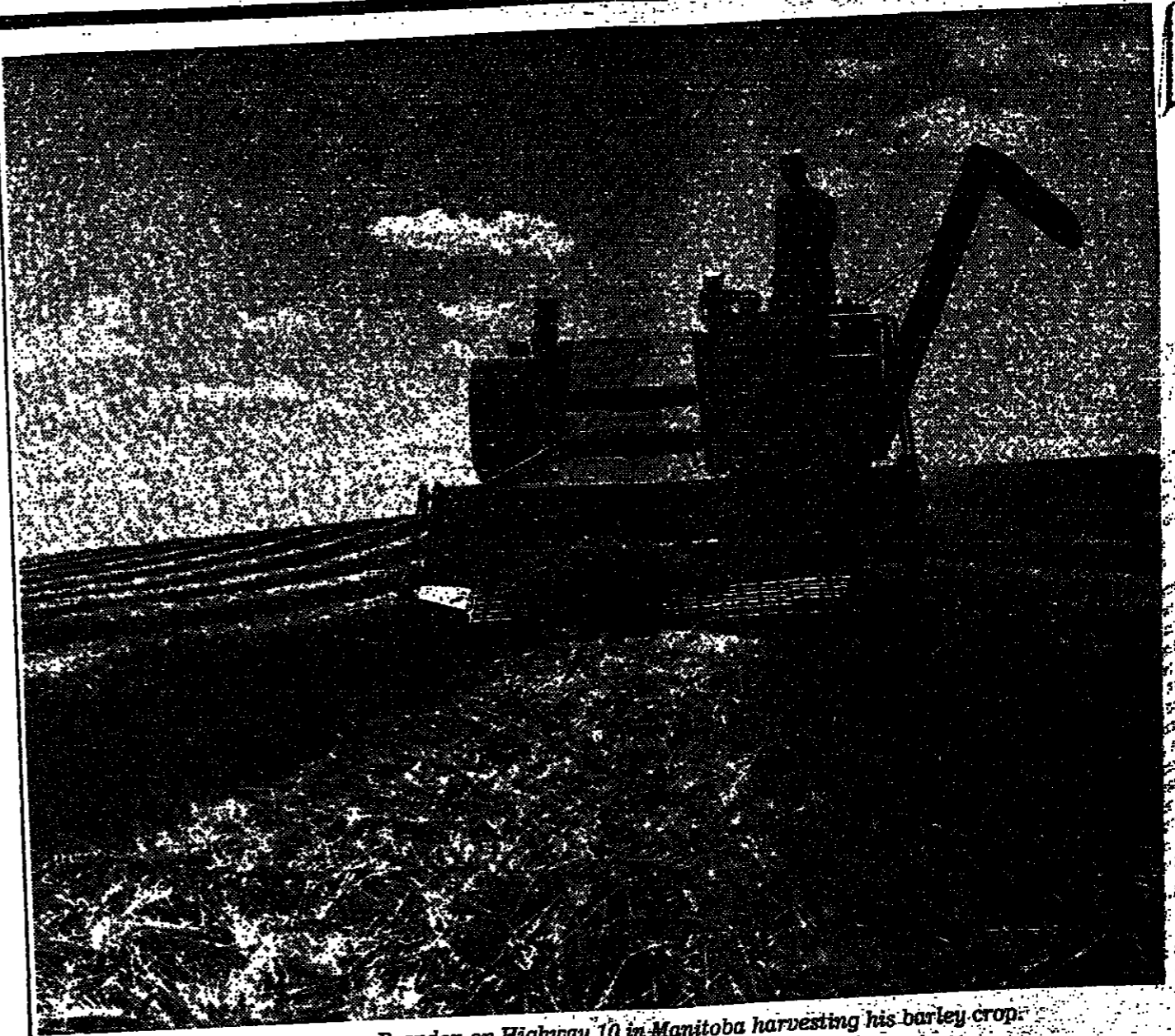
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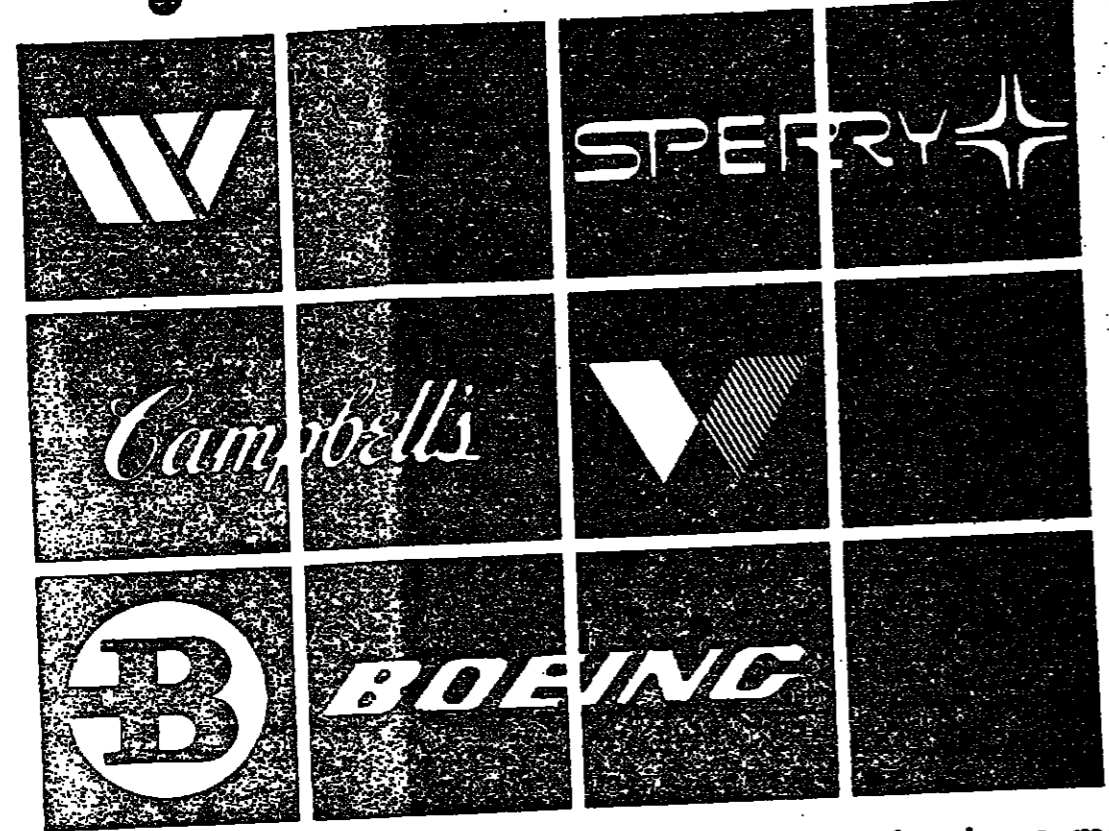


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A farmer near Brandon on Highway 10 in Manitoba harvesting his barley crop.

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MANITOBA DEPARTMENT OF INDUSTRY AND COMMERCE

## A sudden loss of confidence

FOR THE first half of the 1970s Manitoba and Saskatchewan enjoyed a high level of prosperity that enabled their provincial governments to finance ambitious new programmes and social experiments. But with the descent to less buoyant times in the past 18 months the mood of expansion and innovation in these two Prairie Provinces has tended to fade.

There has been in fact a recent dramatic shift in public attitudes on the Prairies. Manitoba and Saskatchewan citizens—who number slightly more than a million in each province—now feel that caution, frugality and the status quo should be the order of the day. This turnaround in their thinking is already being reflected in the economic and political climate in the region.

The change in atmosphere was clearly demonstrated last month in Manitoba when the eight-year-old New Democratic (Socialist) Party (NDP) provincial government was easily ejected from office by the Conservatives led by Sterling Lyon, a 50-year-old Winnipeg lawyer. The NDP, in trying to hold on to the reins of power, had promised Manitoba a continuation of sizeable government spending on public housing, job-creation and the extension of social services.

The Tories, on the other hand, campaigned on the basis that they would trim government expenditures and reduce both personal and corporate income taxes. At one pre-election meeting Mr. Lyon—who was a Cabinet Minister in an earlier Manitoba Conservative government in the 1960s—forthrightly told voters "Don't expect much from us." But this pledge to do almost nothing, far from turning off voters, resulted in his party winning a record 49 per cent of the popular vote, as well as 33 Legislature seats compared with 23 for former Premier Edward Schreyer's NDP.

The Conservative triumph was of course greeted with near-ecstasy by members of Manitoba's business community. Spokesmen for the private sector believe the province will have a much better chance to attract investment and new enterprises under the business-orientated Tories.

But so far Mr. Lyon has introduced no measures to stimulate Manitoba's rather fragile economy. In fact he and his Ministers have embarked on a programme of slashing government expenditures in almost all areas—to put themselves in a position to legislate the promised tax cuts early next year.

One of their first actions, for example, was to postpone the construction of Can.\$37m. of provincial office buildings that were to have been started this winter in Manitoba's capital, Winnipeg.

Public Works Minister Harry Eans justified the postponement by saying that the Government does not want to undertake the programme until a study determines whether the buildings are needed. At the moment there is a glut of newly completed private office space in Winnipeg. The Conservatives feel they may be able to rent accommodation more economically than if they build it. But this effort at parsimony—while it may please the taxpayers—offers little consolation to Manitoba's construction industry, which is anticipating a 35 per cent employment rate this winter.

A second major economic setback occurred last month when Manitoba Hydro, the province's government-owned power utility, decided to cancel, for at least a year, the construction of its \$1.1bn. Limestone generating station on the Nelson River in northern Manitoba. Hydro officials, who are building a chain of half-a-dozen major Nelson stations, say the postponement of Limestone—the third plant—is necessary because Manitoba's electricity load growth has fallen substantially below earlier projections.

However, the immediate impact of the Limestone delay is to eliminate 1,200 new construction jobs that were to be created next spring—as well as dampening business prospects for the Manitoba farmers. A many Manitoba spokesman for Royal Bank of Canada's Agricultural Division said recently: "The traditional cost-price squeeze—when farmers simultaneously face higher costs and lower prices—is back and it is as real as ever. Furthermore, I have a hunch that things are going to get tougher as farmers become locked into a problem from which there is no easy escape."

The agricultural downturn is hurting both Manitoba and Saskatchewan, but especially the former because it does not have the abundant oil, potash and uranium resources of the latter. For example, Saskatchewan to-day has 17,000 more employed than a year ago, while Manitoba has created only 2,000 new jobs in the same period. Similarly, unemployment in Manitoba—currently running at five per cent versus 4.1 per cent a year ago—is expected to average 5½ per cent in 1977, as compared with Saskatchewan's average rate of 4.4 per cent, up from 4.1 per cent in 1976.

Despite the slowdown, Manitoba and Saskatchewan still boast unemployment rates that are lower than in any other province except booming oil-rich Alberta—and well below the national average of 7.5 per cent. Furthermore there is good reason to believe that the present agricultural slump will not be as deep or as severe as in the earlier cycles. Farmers, for instance, are now covered by a guaranteed Federal Government minimum price for their wheat (83 a bushel at the moment), as well as by Ottawa's grain income stabilisation plan which was set up two years ago.

This plan—which is co-financed by farmers and the Government—guarantees the former that their income in a bad year will not drop below their average net cash flow for the previous five years. So even if wheat prices are low, grain producers will still have a few dollars in their pockets.

The Canadian Wheat Board is in addition trying to offset lower prices by aggressive selling in the hope that larger export volumes will reduce losses in farm revenue. In the past year, the Federal Grain Marketing Agency has made a number of major sales and its current roster of customers includes China, Russia, Japan, Poland, Brazil, Norway, Iraq and Jamaica.

There is also a chance that even more wheat may be sold to the Soviet Union, as recent reports indicate that Russia's 1977 crop may not produce the expected yields.

In sum, Manitoba and Saskatchewan are less well off than they were from 1970 but still faring better than other provinces. Offsetting agricultural decline, Manitoba slowly but steadily expands its manufacturing and services sectors, while Saskatchewan benefits from new oil-uranium developments.

Businessmen, noticing gloom in some quarters, cautioning the region's residents not to become pessimistic than the situation warrants. They out that Manitoba and Saskatchewan agriculture has excellent long-term future, if there are cyclical slumps in time to time. They are even more wheat may be sold to the Soviet Union, as recent reports indicate that Russia's 1977 crop may not produce the expected yields.

In sum, Manitoba and Saskatchewan are less well off

Roger New

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مكازم الأصيل



QUEBEC

CANADA XI

# Mr. Lévesque runs into trouble

THE PARTI Québécois government, elected just a year ago, has found itself in a peculiarly difficult position. The 42 per cent of the popular vote and a clear majority in the National Assembly has firmly established its basic political aims of sovereignty for Quebec and the transfer of economic power to francophones in the key Montreal area.

The government has kept up a feverish pace of legislation, with Green and White Papers, policy statements and key speeches to help it maintain the momentum. It fact drove more English-Canadian business from Montreal, because of the difficulties of major companies, particularly in the financial field, in meeting the requirements to promote the use of French in their offices.

There is increasing concern about the economy and the lack of private-sector manufacturing and construction investment. In fact, the province's investment rate is being held together by the James Bay hydro-electric project, the Sidbec steelmaking expansion, and relatively modest levels of provincial and municipal investment.

### Uncertainty

But Bill 101 has contributed to widespread uncertainty, accentuating the effects of the median recession on the Quebec economy, and earning fiercer resentment from the business community, both English and French speaking. Social measures put into effect or in the making have been short of expectations, or have been criticised for tending to concentrate more power in the hands of the bureaucracy.

The Parti Québécois had impinged on a decentralisation of decision-making. The White Paper on elementary and secondary education is being criticised as "conservative" and "regressive". The second most important piece of legislation, next to the language Act, is Bill 45 amending the Labour Code, which is being heavily attacked by business and some unions.

The Government's planned takeover of Asbestos Corporation in General Dynamics of the U.S. has met with scepticism by Quebec unions involved. They argue that the government has been as bad an employer as the private sector. For the first few months in office, Mr. Lévesque and his ministers freely used such terms as independence, separatism and sovereignty with little effect. Although during the campaign they had been almost obsessed with their vocabulary, at the polls have consistently shown that Francophone public opinion is not moving towards an extreme solution to the situational problem. Rather, they confirmed that most francophones don't want to state Quebec from Canada on any terms, though many are afflicted with the status quo and tend to blame Ottawa for Quebec's high rate of unemployment (officially 11.4 per cent, but 15 per cent if you count).

children to English-language schools (in the publicly-financed system) was being extinguished. The Bill initially appeared to be aimed completely at ending English domination of Montreal. However, more and more Francophones have come to regard the Bill as unnecessarily restrictive and harsh, especially since it effectively bars English Canadians from other provinces from moving to Quebec because their children would be barred from English State schools. They believe the Bill will in fact drive more English-Canadian business from Montreal, because of the difficulties of major companies, particularly in the financial field, in meeting the requirements to promote the use of French in their offices.

There is increasing concern about the economy and the lack of private-sector manufacturing and construction investment. In fact, the province's investment rate is being held together by the James Bay hydro-electric project, the Sidbec steelmaking expansion, and relatively modest levels of provincial and municipal investment.

Because of the polls and the anxieties over employment and the economy, the government, once Bill 101 was passed in the autumn, completely dropped terms such as independence and separation, stressing instead "sovereignty-association" and the possibility of negotiating a new type of confederation with Ottawa. Premier Lévesque himself has recently spoken of a "new contract" with the rest of Canada.

He made his first move on the international scene soon after the election with a visit to New York last January. He went because Quebec cannot finance the \$1.6bn. James Bay project, and much of its social capital, without the New York long-term bond market. However, this appeal to anti-colonialist sentiment in the U.S. did not go down well. Leaving the burden of establishing his government's financial credibility on the shoulders of the Finance Minister, Mr. Jacques Parizeau, and the senior officials of Hydro-Québec, the provincial power utility. The Americans at the time were openly concerned that a "socialist type" society might emerge on the border of New York State—and one possibly wanting to opt out of North American defence arrangements.

Mr. Parizeau's orthodox and restrictive May budget helped allay those fears. But Hydro-Québec's borrowing programme had to be trimmed, and because of some resistance in the New York bond market, Hydro had more than usual recourse to the Eurocurrency markets this year. There has been no successor to the \$1bn. Hydro private placement of January 1976.

Internationally, the next move came with Mr. Lévesque's recent visit to Paris, which was more pleasing to the Parti Québécois's radical wing. Educated young Québécois in recent years have tended to holiday in France and Europe rather than Florida or the Caribbean.

There Mr. Lévesque's speeches were keyed less to the traditional grievances of French Canada against confederation and the issue of separation than might have been expected. He received polite assurances from the French Government that it would offer moral support whichever way the Quebec voter might cast his ballot in the referendum on Quebec

sovereignty—now promised for the spring of 1979.

Mr. Jean Lesage, Liberal Prime Minister of Quebec from 1960-68, whose name is coupled with the "Silent Revolution" that brought the province into the second half of the 20th century, has come out of political retirement to head his party's committee preparing for the referendum. Since his reputation survived unscathed during the subsequent collapse of Liberal fortunes that is a boost for the federalist cause.

Given the course of events so far and the dissatisfaction with PQ economic management shown in recent polls, for most Francophones the real issue is coming to be not separation, but a new negotiated settlement with the rest of Canada and the provision of jobs.

### Options

Stripped of emotion, this means a rearrangement of taxing powers and federal properties in the province, giving Quebec greater policy options. Several Quebec Ministers and prominent PQ members including Mr. Gerald Godin, who defeated Robert Bourassa in his Montreal East riding, have several times stressed that "if only Quebec could get back the \$13bn. a year we pay in taxes to Ottawa," there would be little reason for troubling to go all the way and separate.

That of course is the real problem. Ottawa replies that if that taxing power is "given away," then the federal Government would be phasing itself out and separation of Quebec would come about de facto.

The language legislation was finally passed in the autumn with little change. The Government is more interested in furthering the economic position of Francophones in Montreal than in the primacy of the French language. At least there is no reason to suppose that the moderates in the Government want a unilingual Quebec. But they do want full equality of economic opportunity and ultimately control of the Quebec economy by Francophones.

Jobs and economic power have always been key issues among Francophones. Even now, Mr. Lévesque speaks of the need for French-speaking Canadians to "prove their competency" by taking over control of Asbestos Corporation and running it better than the Americans.

The Government hopped to extract reciprocal schooling agreements from other provinces after the passing of Bill 101. The idea was that Ontario would provide the same opportunities for French-speaking school-children as Quebec has traditionally done for English speaking children. The offer failed, but several provinces have in fact stepped up spending modestly for English-French schooling in 1978-79.

The Labour Code amendments have taken on a new dimension. The Government billed them as a means of reducing the strikes and violence which have plagued the economy for the last three years. The main objective, though, was to bargain for smooth negotiations between the government and the Quebec Federation of Labour, which represents around 500,000 workers in the public and parapublic sectors.

These negotiations come up towards the end of 1978, a crucial period for the government, whichever way the Quebec voter might cast his ballot in the referendum on Quebec

federation of Trade Unions, has severely criticised this measure, arguing that it does not go far enough towards cementing the position of the unions. Little has been heard from the construction unions, since the measures leave their hallowed hiring hall system intact. Under this North American system, the unions choose who will fill the job the contractor offers.

The anti-strike section of Bill 45 is not really an issue, because this is already enshrined in many collective agreements. For the small businessman, the measure allows 35 per cent of his workers to authorise a union to organise, against 50 per cent.

Business, Anglophone and Francophone, has told the government Bill 45 will simply upset what is left of an equilibrium between "big unions" and the private sector. The lack of government supervision of strike or certification ballots will simply lead to more abuse.

The government has shown some courage in trying to attack some corners of inefficiency in the Quebec civil service. Mr. Parizeau is trying to make better sense out of the duplication and waste in the computer systems around the Treasury. The government is using the established system of promotion and transfers to free up some of the staffing rigidity. No one can say yet whether these efforts will make much difference.

After one year in office, it can be said that Mr. Lévesque has established his government of reform, has forced through the language legislation, and is now sensibly trying to reduce the tension between English and French in Montreal.

He is obviously trying to respond to the strong desires of both groups for politicians to bring forward a "third option" that would be credible, would modify the status and yet avoid the extreme of separation. That may well be the next step in the drama.

R. G. Gibbens  
Montreal Correspondent

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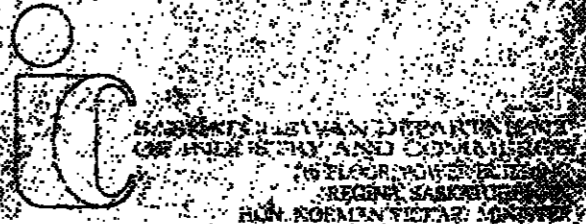
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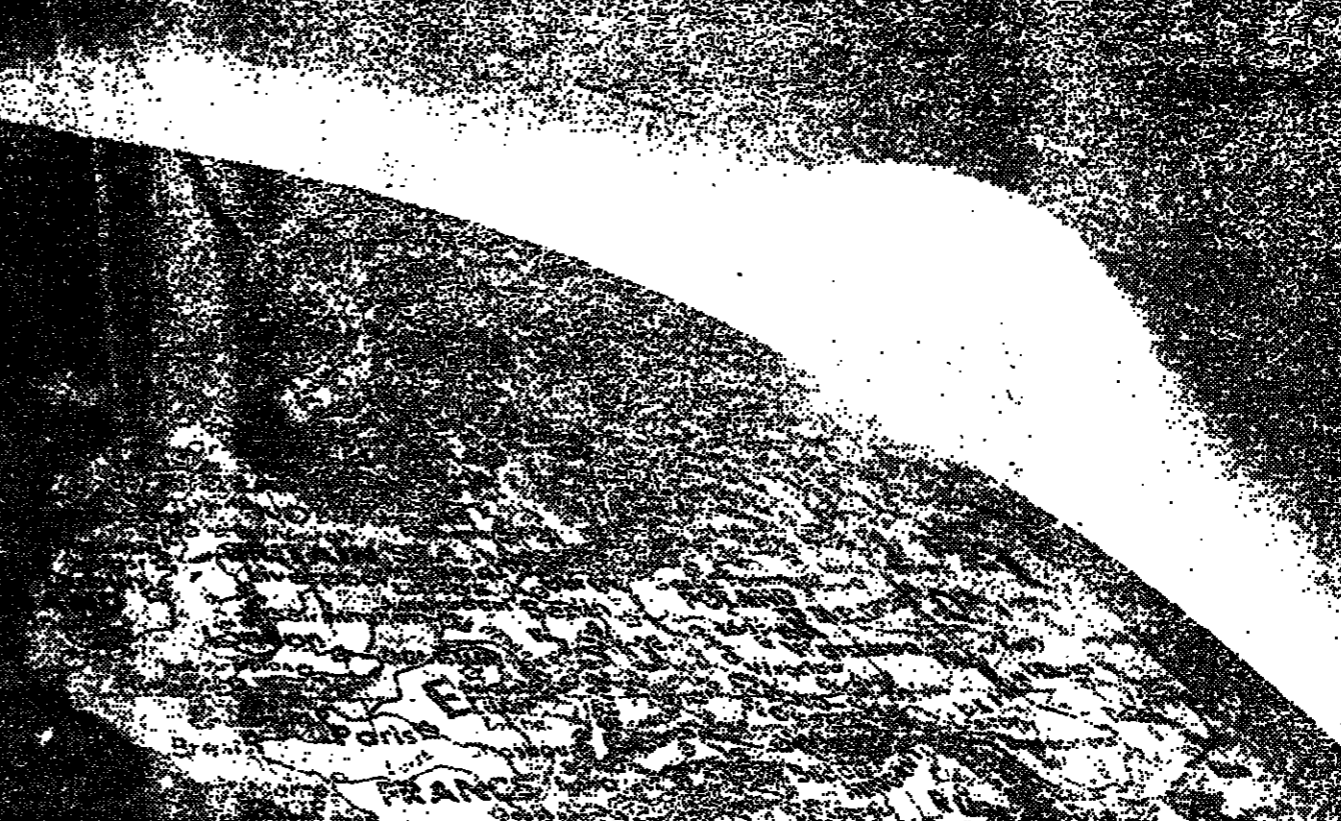
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The \$10 billion northern pipeline project to carry Alaskan natural gas to the American mainland will have a tremendous impact on the economies of Alberta and the rest of Canada. Some \$7 to \$8 billion of the total expenditure will be spent in Alberta and other parts of Canada.

### Joint Ventures Welcomed

With so many developments currently underway and with many more projects planned, huge amounts of capital are required. Joint ventures and licensing arrangements between non-Canadian investors and Albertan and Canadian partners are welcomed by Alberta. The province welcomes foreign investment, particularly in the areas of food processing, petrochemicals, manufacturing, steel and minerals, and forest products.

### Low Tax Rate

The overall taxation rate in Alberta is the lowest in Canada. The province expects to maintain this position well into the future.



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Director, European Operations,  
Business Development Division,  
Alberta House, 37 Hill Street,  
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Phone: 01-499-3061 Telex: 23-461 AGALTAG

## CANADA XII



# Powerhouse of the nation

THE PROVINCE of Alberta, as has been true for several years, continues to thrive as an island of prosperity in a world of stagnation and inflation. It has profited from a major shift westward of Canadian economic and political power—a shift that has been going on all through the 1970s.

This was noted in a speech last autumn by Mr. W. H. Hopper, the President of the Canadian Government's new State oil and gas company, Petro-Canada, which set up headquarters in Calgary two years ago. Mr. Hopper noted that the traditional complaint of Western Canada has been that the central provinces of Ontario and Quebec enjoyed more than their fair share of economic power and political influence.

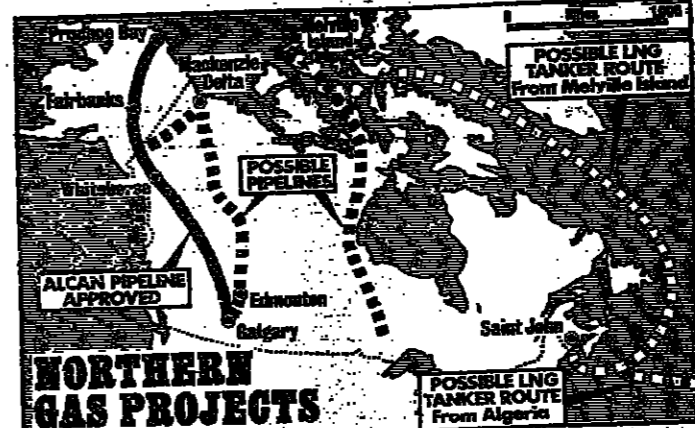
"Whatever the valid grievances of the west toward central Canada," Mr. Hopper said, "they do not seem as serious in today's economic setting as they may have been in the past. The western provinces are not the poor children of confederation any longer." He cited statistics on gross provincial products (GPP) in 1976. Alberta had by far the highest GPP on a per-capita basis of all ten Canadian provinces—\$11,100 compared with \$9,350 for Ontario, the leader throughout most of Canadian history.

Alberta's well-known oil and gas resources are of course, the major source of the prosperity of the Province's 2m. inhabitants. But the Albertan economy has taken on a breadth and depth of management sophistication that lifts it from its previous role as primarily a supplier of energy and of agricultural and other raw materials.

The recent decision by the Canadian and American Governments to let a Calgary-based company build the Canadian sections of a natural gas pipeline south from Alaska is the most dramatic evidence of the Alberta economy's new maturity. The decision brought to a conclusion a seven-year struggle of national and multinational corporations. Right up to the end of the struggle, with a decision in favour of Foothills Pipelines, a subsidiary of Alberta Gas Trunkline, last summer by Canada's National Energy Board, few in the oil and gas industry anywhere, including Alberta, believed that the Calgary company had a chance of winning.

The Foothills president, Mr. S. Robert Blair, has since interpreted this victory as the coming of age of Canadian industry and management, especially in Western Canada. The Alaska gas pipeline's Canadian sections will be designed, managed and built under Canadian control from a company with headquarters in Calgary. This project will provide the major single growth impact on the Canadian economy during most of the five to seven years it is expected to take to complete the pipeline's construction. Foothills estimates that during the two peak construction years, the impact will amount to about 1 per cent of the Canadian gross national product.

The most open and bold—and from the Ottawa Federal Government's viewpoint no doubt unwarranted and legally dubious—exercise of Alberta's new influence and power in the country recently has been by Mr. Peter Lougheed, head of the Province's Progressive Conservative Government. There is a temporary surplus of natural gas extracted in Alberta over and above current Canadian domestic requirements and Canadian contract commitments to export gas to the United



Alberta Gas Trunk Line not only won the battle for the Alcan pipeline from Alaska: it is also among the sponsors for proposals to bring gas south from Melville Island by pipeline and LNG tanker.

States. The Canadian and U.S. Governments and their agencies precedent could readily be reversed for such a startling intrusion by any Canadian province into international trade negotiations that are firmly reserved for the national Government by the Canadian Constitution. Nor was Mr. Lougheed so politically naive as to think his proposal would result in any swift international agreement between Canada and the U.S. within or outside the GATT arrangements that both participate in. His more realistic purpose appears to have been to make both Canadian and American GATT negotiations sit up sharply and pay attention to the specific interests of Alberta, both in the Geneva negotiations and in any bilateral Canada-U.S. trade discussions.

Along with the expansion, both of its weight and its economic influence, Alberta has a few of the problems that come with such rapid growth and change. Food prices in Calgary and Edmonton including the beef grown in the immediately surrounding countryside, are among the highest in any Canadian cities.

New homes are, on average, among the most expensive in the country, starting around the \$67,000 mark in Calgary or Edmonton for a three-bedroom single-family house. This price pressure has led to the introduction of a new form of housing

for Albertans, though one familiar in Europe. The word for them is condominium—multiple dwelling complex of row houses or apartments that can be purchased, as hold flats are sold in London. Prices for this form of housing just beginning to catch on start as low as \$30,000 for a two or three room, depending on location. They can also be found, much as \$150,000 each in locations.

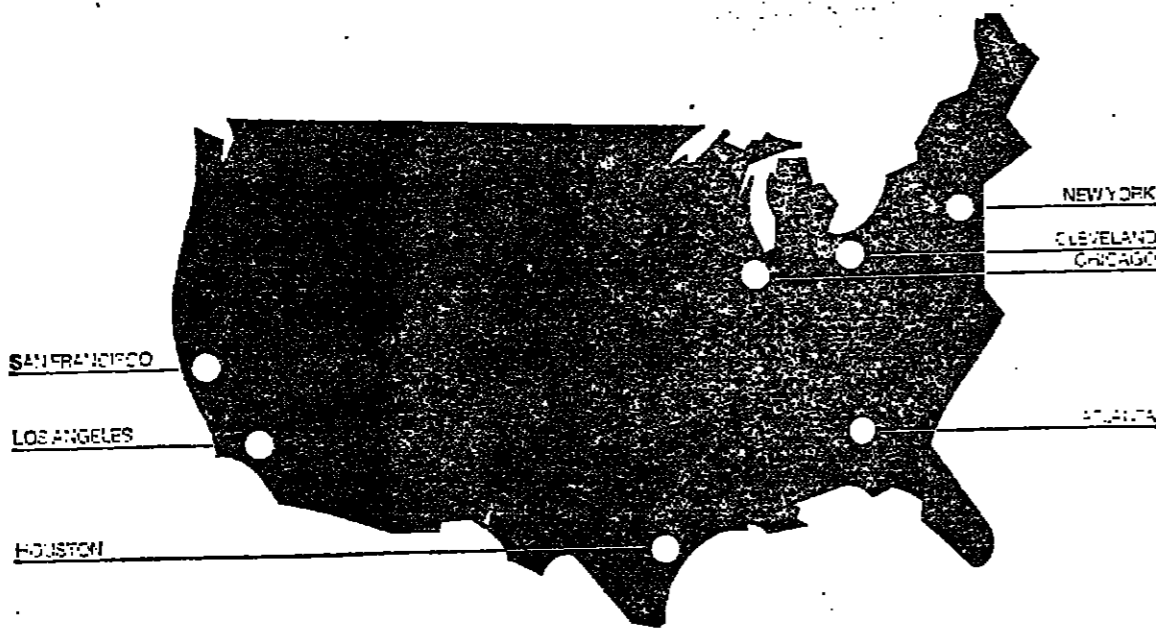
Though the unemployment ratio is usually 3 per cent or more below national average, it can be seen in both Calgary and Edmonton. They consist entirely of young men, 30, usually from outside the province. They have been in newspaper or heard on television about the boom and headed here to piece of the action.

Employment is likely to time to present problem the foreseeable future, for the various gigantic projects in hand or in store, all related to oil or gas. They in hand is at the Syncrude near Fort McMurray. plant is under construction extract oil from the site sands—one of the largest reserves of hydrocarbons but also one of the most

At its peak, construction provided 7,500 jobs in the and another 700 in Edmonton. But the plant is to be stream next year and to be full capacity of 125,000 barrels a day in 1978. It will then employ for some people only—but the building to operating will still be a good deal favourable than in conventional oil fields. That means Alberta a growth point higher than has usually experienced by the oil, especially so since other schemes with similar are on the way both in the and on the heavy oil deposits Cold Lake.

Don Pea

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مكاتبنا في العالم



# The problems of Government and firemen

BY ALAN PIKE, Labour Correspondent

Police—less than 24 hours after the first ever national firemen's strike began—a group of men left their homes to help control a fire at an East London hospital. One of the men, a fireman, was injured and his elderly father-in-law was killed. The firemen's strike was not fireproof.

The strike, which enters its second day, abounds in self-contradictions. There have been few recent stoppages by the strikers who are in fact for the action they are taking. Even as they moved out to fire stations and on to the picket lines, many men could not believe that the strike was actually going to happen, after a week of their own wailing with their wives.

Many of the men undoubtedly felt that there would be a minute's settlement which would end the strike and its daily disastrous consequences. Ministers, however, determined that there would be no surrender to a demand which would break the 10 per cent pay guidelines in public sector and they tried to ride out the strike. The weapons which they used to mobilise against the strikers were 10,000 troops in a Civil Defence force and the force of public opinion. At the end of the first week the former is showing signs of exhaustion and the latter of possibly being a prudent miscalculation.

It became clear, as the Government made a move to intervene in the negotiations between Fire Brigades' Union and the Government, that the latter was leading up to a decision which Ministers believed to be a premature and unwise one against the fireman, forcing



Mr. Rees, the Home Secretary.



Marshal of the RAF, Sir Neil Cameron, Chief of the Defence Staff, at the head of a naval fire-fighting crew training for duty in the firemen's strike.

them to end the strike and settle within the public sector pay limits. The Government view was apparently that any deaths which arose from inexperienced and ill-equipped troops being unable to cope would be blamed by the public on the strikers rather than on the Government. Some Ministers also believed that in spite of a 2-1 vote by the House of Commons, many men would not actually join the strike.

This calculation never appeared particularly probable to the men's fire officers, who understand the need for team loyalty and discipline upon which the service relies, and it became apparent within a few hours of the strike starting that the call to stop work was receiving overwhelming support. Ministers were undoubtedly heartened in their determination to stand firm against any attempt to breach the 10 per cent guidelines by the strength of public opinion. An Opinion Research Centre poll published as the Government was making preparations for the firemen's stoppage showed that 88 per cent of those interviewed believed that a tough line should be taken against powerful groups, like the miners or electricity supply workers, using their industrial strength to push for above-average pay settlements.

Many union leaders, however, believe that the Government may have taken insufficient account of the public's ability to distinguish between the claims of one group and another. Another Opinion Research Centre poll, conducted at the end of last month, while again demonstrating heavy backing for

the 10 per cent guidelines, showed that 80 per cent of the sample believed that the police—whose pay grievances are settled for the present—should be made a special case. The opinion of firemen after a week on the picket lines is that the public identify them far more closely with the police than with allegedly "selfish" groups like the miners. Thousands of signatures on petitions and sums of money have been collected outside fire stations during the past week. The firemen say that they have received widespread messages of support from both individuals and other unions.

The Government's belief that there would be immediate public hostility towards the firemen received another setback when it became apparent early in the strike that many men were prepared to break their own picket lines if they could help to save lives. It is, of course, possible that at any time a fire disaster could still swing public opinion vio-

lently against the strikers, if in fact it is a present in favour of them, as the firemen believe. But the men hope that their previously good industrial relations record, their reluctance to be on strike and the conscientious efforts of some firemen to mitigate the worst effects of their own action have won the battle for public sympathy. They cautiously believe that the consequences of the strike may be more likely to be identified in the public mind with Government intransigence than with firemen's callousness. And they are now busily trying to persuade the public that the claim for which they are striking is a reasonable one.

The full impact of what they are trying to do—to break the Government's rigid determination to see that public sector pay settlements are held within the guidelines—is almost certainly not appreciated by many of the strikers. Such a prospect might daunt workers with more experience of using the strike weapon, but the tank-and-tie

police, with whom firemen frequently work and closely identify themselves, won a substantial pay rise in 1975 when the firemen and most other workers had to settle for £6 a week.

Earlier this year the job evaluation study was resumed and in May the National Joint Council agreed a detailed comparison of the firemen's job with other jobs outside the fire service in the context of pay.

The McCarthy Report concluded: "It follows from this that the most appropriate comparison to make is with the generality of jobs in the community. Against a broad benchmark of this kind, discussion can take place on any special features of the qualified fireman's job. We therefore recommend that the National Joint Council should begin early discussion on this basis."

The last time troops and Green Goddesses took to the streets in place of firemen—and by 1975 talks in the National Joint Council for Local Authority Fire Services on the role of the firemen were well advanced. It may have been that these talks, started in 1974, could have produced a new pay structure which would have avoided the present trouble. However, the Government's pay policy intervened and an interim report which sought to evaluate the wider involvement of firemen in fire prevention duties was shelved. The firemen, like other workers, accepted Phase One and Phase Two increases and fire service terms. In this sense the decision to strike after last September their union went several years' discontent—at a time which offers the firemen no hope of an easy victory—is expired.

Firemen consequently feel that they have fulfilled their obligations to the Government on pay policy. In their own eyes they have already waited patiently for at least two years in spite of the fact that the

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## What the public thinks

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## Motor dealers' attitudes

Professor Peter Grinyer, Mr. Chapman. Research at this school of strategies of motor dealers suggested a further and so largely ignored dimension in malaise of the U.K. motor industry, namely the distribution of the manufacturers' and interplay of forces that these generated. Although inter- have been undertaken go with no more than two dozen firms, a surprisingly consistent merged on causes of greater penetration, and provides insight into the operation of the market mechanism as central theme of competition by dealers on foreign ration is the franchise of U.K. manufacturers, are two extremes which in the same direction. At Ford, with General Motors, toward it, which involves single tier distribution. Only main dealers are given franchises. The difficult and often unfair, by which second tier dealers draw both new and stocks of spare parts. Their local main dealer has discontinued. Moreover, ord "single tier" dealers restricted to a handful of cases, although some long shed main dealers retain movement to such a single tier, which possibly provides a more rational, fair, and distribution system, has that a large number of often entrepreneurial, and usy second tier dealers 80-70 look for other than Given the heavy density alert with U.K. manufacturers at present operating system, there has been boom to enter as dealers of produced vehicles, and many of these small men need to improve cars as means of survival. Callaghan was joking. William L. Newman, 10 Ruffs Furze, Oakley, Bedford.

## Passionate beliefs

Mr. W. Newman. Sir—During the Labour Party political broadcast (November 15) Mr. Callaghan urged the electorate to support the Party because of its passionate belief in the freedom of the individual. As soon as I read through the Financial Times of November 16 I discovered that things are very different in the real world. For example I learnt that British Rail has sacked 40 people because they refused to join a trade union. The report also stated—and this was the most horrific point—some of the men had been employed by British Rail for over 30 years. I can only assume that Mr. Callaghan was joking. William L. Newman, 10 Ruffs Furze, Oakley, Bedford.

## 'Voluntarily' redundant

Mr. K. H. Harrison. Sir—Your correspondent Sue Cameron in describing (November 14) the laudable efforts made by ICI Fibres to help their employees, suggests that they will leave on average with a "tidy sum" which on average will amount to one year's salary. Miss Cameron could have elaborated on precisely what these employees were in fact given up "voluntarily" for the dubious distinction conferred upon them. No doubt most of them would have expected to get in several more years service, a quite natural feeling for people who have built a career around a particular company. As an employee of a multinational oil company with strong Government and North Sea connections, along with some other graded staff in the U.K. market, I was invited to "volunteer" for early severance for which I would have received the "tidy sum" of one year's salary, £7,400, of which £2,400 would have been subject to tax. I was also offered an early pension, for which no allowance had been made for the years just to me. It is hardly surpris-

## Letters to the Editor

ing that the response to this, by all personnel so approached, was distinctly negative. In my own case I am 53 and have been some 23 years with this group. I would have lost the use of a company car, and fringe benefits, my salary for some 6 years adjusted by yearly reviews, and the opportunity to receive a pension more geared to my final salary. On the other hand my mortgage remains, my daughter will still have to be educated for at least another two years, and my other family expenditure has still to be met. On top of this how many companies advertise for staff over the early 40s? Oh, and don't forget by the time the car has been replaced nearly all of that "tidy sum" has gone. It should not be necessary in a paper such as yours to spell out to readers how much one can save on myself alone, but certainly it would be well into six figures over the period of time involved. I do not oppose the right of any company to reorganise its resources, when absolutely necessary, but certainly when companies of this calibre feel that staff reductions are necessary, bearing in mind the financial savings made and the social implications of such decisions, they should offer to make such adjustments of staff numbers easier to achieve, and more acceptable generally. In my case I was subsequently offered two positions inferior to my present one, both of which required a house move, or early severance. K. H. Harrison, 44 Worcester Road, Dringthick.

## Cost of solar heating

From the Chairman, the Energy Sub-Committee, Corporation of London. Sir—Comments from your correspondent Mr. Robert Jones (Cost of solar heating, November 17) are evidently based on misunderstandings of your report of November 12 from which he quotes. Your report was quite accurate in saying that the City of London Corporation had made a study of the possibilities of installing solar panels at its development in Cosser Street, Lambeth. Your report made no suggestion that panels had been sited as indicated by Mr. Jones. The study showed that the cost of ten units, not one unit as indicated by Mr. Jones, would be some £5,000 and that the payback period would be approximately twenty-five years. It was on this basis that the Corporation decided not to go ahead with the installation of units, but to keep the whole subject of solar power under review. Hugh Olson, Members' Room, Guildhall, E.C.2.

## The pensions dilemma

From Mr. C. Smith. Sir—The article by Eric Short (November 11) regarding the pensions dilemma and the need for a decision concerning contracting in or out of the new state scheme is particularly valuable. There is, however, one point which may be somewhat misleading. This concerns the contribution to a contracted out arrangement, where it states that the overall contribution level is reduced by 7 per cent. It should be understood that this reduction applies only to earnings above the lower earnings limit, below which standard contributions are payable. You will find that the overall contributions level is reduced by almost 6 per cent, for those people with earnings matching the upper earnings limit, with a reducing overall saving as one descends to the lower earnings limit, at which point there is no saving at all. While in practice there must surely be few people who will be contracted out with earnings matching the lower earnings limit, it should be made clear to such readers contracting out and expecting to receive an overall 7 per cent reduction in their contributions that they will be sadly disappointed. C. J. Smith, Pearl Assurance House, Queen Square, Bristol.

## Large fortunes still possible

From Mr. R. Holland. Sir—Mr. All Gooding's thriving business (November 15) should legitimately be able to acquire through the "directors' kitchen" beer at normal prices. Mrs. Gooding's hairdo could be described as a "miscellaneous" expense, and the so-called £10,000 suit could be described as "work in progress." Since these costs would reduce profits by an equivalent amount, corporation

## A very real figure

From Mr. W. Dingwall. Sir—Mr. J. Scott's comment (November 16) on a wife's hair-do vividly illustrates what is wrong with the economic situation of this country. He makes the assumption that a chairman of a company has no investment income, even from shares in the company which he presides. The patriotic duty, emphasised alike by the Government and Jack Jones, to invest in industry to help reduce unemployment is apparently no longer there. For someone in those past who has invested patriotically I can assure Mr. Scott that 88 per cent is a very real figure. Walter Dingwall, The White House, Woodmancote near Henfield.

## To-day's Events

GENERAL: International Monetary Fund team talks with Treasury on general prospects for U.K. economy and possible early repayment of part of its outstanding debts to the Fund. TUC-Labour Party Liaison Committee meets. EEC Finance Ministers meet. EEC Foreign Ministers begin two-day meeting, Brussels. Mr. Eric Varley, Industry Secretary, expected to sign contract worth £115m. for sale of 24 ships to Poland. Barclays interest rate cut to 14 per cent a month. OPERA: Royal Opera production of Lohengrin, Covent Garden, W.C.2, 6 p.m. MUSIC: Jeremy Brown gives piano recital of works by Beethoven and Brahms, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m. PARLIAMENTARY BUSINESS: House of Commons: Debates on industrial tribunals and on transport policy. OFFICIAL STATISTICS: Turnover of motor trades (3rd quarter). COMPANY MEETINGS: See Week's Financial Diary on page 28.

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COMPAGNIE FRANCAISE DE L'AFRIQUE OCCIDENTALE

The results of the Company for the six-month period ending 30th June 1977 show a profit of Frs.18.2 million, an increase of 11.58% over the same period of last year.

At Group level the consolidated results, which for the first time have been on the first half of the calendar year as a result cannot be compared with the same period of 1976, show the following figures (expressed in millions of francs):

Table with 2 columns: Description and Amount. Includes Net results (Group Frs.64.5, Interests outside Group Frs.6.8) and Investments (Group Frs.120.0).

It must be noted that following the sale earlier this year to Nigerian investors of a further 20% of the capital of CFAO (Nigeria) Ltd, the figures of this Company are no longer included in the consolidated Group accounts.

The quoted price of the Company's shares on the Paris stock market fell in value by some 23% between 31st October last and mid summer, 1977. During that period are transactions on the Paris market were running at less than half of the volume registered during the same period a year earlier.

The Group's policy of consolidation and expansion continues. It is to be especially noted that a further five branches of the "SODIM" chain of supermarkets were opened during the period January/September 1977 and that other developments will take place before the end of the year.

Unless unforeseen circumstances intervene, the final results for the 1977 financial year are expected to be favourable.

ANYO ELECTRIC CO. LTD. holders of Curacao Depository Receipts a limited number of sets of the semi-annual report for the six month period ended 31, 1977, of the above-mentioned company are available at:-

- The Sumitomo Bank, Limited, 5, Moorgate, London EC2R 6HU; Bank Mees & Hope NV, Pelzerstraat 2, Hamburg; Banque de l'Union Européenne, 4, rue Gallien, Paris 2e;

Morgan Guaranty Trust Company of N.Y., 23 Wall Street, New York, NY 10015; Bank Mees & Hope NV, Herengracht 548, Amsterdam.

November, 1977.

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BOURNEMOUTH CORPORATION £5 million Redeemable Stock 1977/78

The above stock will be redeemed by Bournemouth Borough Council on 22nd February, 1978. Letters have been sent to all stockholders to that effect.

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual gross interest, Interest payable, Minimum sum, Life of bond. Lists various local authorities like London (0268 22881) and Surrey (051 548 6543).

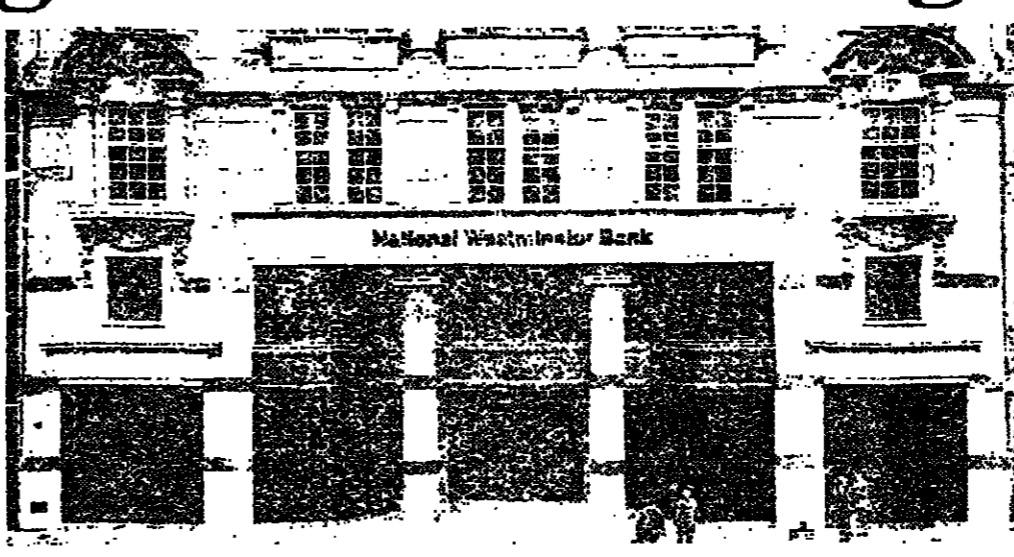
FINANCE FOR INDUSTRY TERM DEPOSITS. Sums of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits fixed not later than 2.12.77.

Why the big four are heading north

IN ITS first day of business just over a week ago the new Aberdeen branch of the National Westminster Bank opened 20 accounts. The branch, in a city which enjoys the prosperity brought by North Sea oil, has a good chance of repeating the success which the bank found with its initial ventures in Scotland two years ago, in Edinburgh and Glasgow.

The expansion of the London banks north of the border is in marked contrast with the trend elsewhere in the U.K. towards cutbacks and restructuring of the branch networks. This is underlined by Barclays' decision to review up to 600 of its branches. The expansion is taking place, moreover, in a country which has traditionally been regarded as among the most heavily banked and therefore one with less scope for new entrants.

The development is also of very recent origin. For many years the London clearing banks in their own names had kept out of Scotland, where the local banks maintained a strongly independent approach to their business. It appeared that there was some kind of understanding that the London banks would not poach on the territory of their Scottish colleagues. This inhibition was



National Westminster's Edinburgh branch and Scottish head office.

strengthened in the case of three of the English banks by their links with the Scottish banks. The Midland owns the Clydesdale, Barclays has a 35 per cent. stake in Bank of Scotland and Lloyds has links with the third Scottish bank, Royal Bank of Scotland.

For these banks, their connexions provided them with a service in Scotland without the need to open their own branches, and until quite recently there was little incentive for them to consider expanding there.

Undoubtedly one of the main factors in the new departure was the buoyancy brought by the development of oil. The Scottish banking business—also less affected than the London banks by the aftermath of the property and secondary banking boom—enjoyed an unaccustomed period of growth as a result of the new wealth and this made the country look increasingly attractive.

The lure of the greater domestic prosperity was enhanced by the prospect of developing new corporate business, both through providing services for existing customers and through activities arising directly from North Sea oil operations. NatWest has drawn attention to the efforts it has put into building up its financial support for oil activities, and the logic of providing a service on the spot.

To provide a further spur there has been the competitive factor of the growing presence of American and other international banks in Scotland, fighting for a slice of the action in the expanding international banking market there.

The corporate business played an important part in Barclays' decision to go north. This was done through its ownership of one of the Scottish banks, which opened a representative office in Edinburgh in 1975 and a full branch this year. It went into Aberdeen in October and will be starting in Glasgow in the New Year. Barclays has put the emphasis on building up

its international and corporate business, and underlined the connection by opening its offices in Aberdeen and in Houston, Texas, at the same time.

Lloyds has laid plans for moving into Edinburgh in January next year. And Midland banks, NatWest's experience certainly suggests that, Scots in numbers of branches, particularly where there are no inhibitions about competing with an associate or a subsidiary her of centres. After Aberdeen, in Scotland, it is quite possible for a newcomer not only to expand its business with its own merits but also to attract local private customers.

The bank's Edinburgh office has already reached the point of making a positive contribution to the group's income, with the advantages of being centrally sited and of being in the same building as the group's overall Scottish office and its international banking representatives. Glasgow, opened at the same time in November 1975, has been rather slower to develop—the branch is rather less centrally placed but nevertheless still suitable for the main purpose of developing corporate business.

NatWest says it has found certain advantages in attracting domestic business in Scotland. One very obvious point is that, unlike the Scottish banks, their branches remain open at lunch-time. Another, they maintain, is that they are more willing than their Scottish counterparts to go out and look for business, particularly in the corporate sector.

It is, they say, a long and patient operation to attract local customers, but one which is starting to pay off. The competition coming from the London banks, it is clear, will never attempt to compete with the Scot's in numbers of branches, particularly where there are no inhibitions about competing with an associate or a subsidiary her of centres. After Aberdeen, in Scotland, it is quite possible for a newcomer not only to expand its business with its own merits but also to attract local private customers.

bank stressed that its new private customers.

Large advertisement for NEC (Nippon Electric Co. Ltd.) featuring the headline 'Laser, light, leadership & NEC'. The background shows a futuristic cityscape with a laser beam. Text includes: 'Everyone remembers Armstrong's first steps on the moon. But not why he placed a mirror there. That mirror reflected a straight laser beam from earth back to earth for an exact measurement of the distance between earth and moon.' and 'Spreading the word to the world. NEC Nippon Electric Co. Ltd.'.

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OVERSEAS MARKETS

EUROBONDS

U.S. dollar sector regains its poise

LAST WEEK confirmed that the U.S. dollar sector has regained its poise: the stability of interest rates, a stable dollar despite the turbulence on the yen front and the drying up of retail selling of the secondary market made for a firm undertone though trading was quiet.

The steady interest rates explain why many dealers were expanding their books while buying interest emerged, although dealers said it was still modest. Two new issues were announced at the end of the week and the amount of the Groupement pour l'Industrie Siderurgique placement (which was a bond holder's option to be extended for two years at a floating rate) issue was increased by \$10m. to \$25m.

Although the scheduled offerings were up on the previous week, they remain well below the record levels of some time ago. But the small flow is further helping to get the market on to a better footing.

The sterling sector, at least the issue which has initiated it, got off in a lively start: secondary market prices for the ECSC issue rose considerably, finishing the week at 100.100 having been priced at par. The market was not sure at what level this new animal would

settle down as no yardstick was available. A second sterling bond was announced and although demand was very much less overwhelming than for the ECSC one, it apparently increased towards the end of the week, perhaps because of currency considerations.

In the Deutschmark sector the coupon on the Furukawa convertible was cut to 5 per cent. A new issue was announced for Norges Kommunalbank while the City of Vienna is to make a private placement in early December. Later to-day Commerzbank will announce a DM150m. one year bullet for QM Hydro which is expected to offer a 6 1/2 per cent coupon.

The Euro Yen bonds were the only ones to be affected in any serious way by the upward movement of the Yen: the World Bank issue put on three-quarters of a point to 104.105 and the EIB issue moved up a full point to 108.100 following the exchange control measures announced in

Tokyo on Thursday. Meanwhile the EIB became the first international organisation to issue a Belgian Franc bond since the ECSC tapped that market back in June 1975.

In general dealers' attention last week shifted away from the sterling Eurobond idea. As the novelty factor wore off, a number of major houses said they doubted if it would take off in a major way. Its potential role has been compared to Eurogillets and other useful but secondary currencies.

The main question exercising the market at present is the extent of the internal recovery of the U.S. dollar sector, which is crucial to the future capital-raising capacity of the Eurobond market as a whole.

Last week's firming of the market, while extremely welcome, was not sufficiently vigorous to sustain the kind of new issue volume to which the market has become accustomed in the last two years.

The clearing systems are thinking of publishing detailed figures for turnover in individual issues. One of the systems, Euroclear, has already done a pilot study over the last month and presented the results to board members. It may take a

decision to publish regularly—if the market would seem to value such a development—at its board meeting this week. Cedei has the matter under consideration, but would apparently face some technical problems. Clearly the exercise would be much less valuable, if not completely valueless, if only one clearing system were to implement it.

Margins tighten at Sumitomo Shoji

SUMITOMO SHOJI Kaisha announced that its net profit for the first half year fell to ¥3,784bn. down 0.8 per cent from 3.8 per cent in the like year-earlier period.

Sales during the period totalled ¥2,953 trillion, up 4.3 per cent from ¥2,833 trillion. Forecast for the current year is of net profit ¥7,5bn. (¥7,542bn.). Sales ¥3.9 trillion (¥3,913 billion).

Meanwhile, another major trading house, Nissin-Iwai Company announced its net profit for the same period fell to ¥1.4bn. down 36.8 per cent from ¥2.3bn. Sales also fell by 0.6 per cent to ¥2,346 trillion.

CURRENT EUROBOND ISSUES

Table with columns: Borrowers, Amount m., Av. life, Coupon, Lead manager. Lists various Eurobond issues from U.S. Dollars to Sterling, including borrowers like U.S. Dollar, U.S. Dollar, U.S. Dollar, etc.

BONDTRADE INDEX AND YIELD

Table with columns: Nov. 18, Nov. 11, High, Low. Shows bond trade index and yield data for various periods.

EUROBOND TURNOVER

Table with columns: U.S. dollar bonds, Other bonds, last week, previous week. Shows turnover figures for Eurobond issues.

Indices

NEW YORK - DOW JONES

Table showing Dow Jones index data for various dates and sectors, including Industrial, Transportation, and Utilities.

STANDARD AND POORS

Table showing Standard and Poors index data for various dates and sectors, including Industrial, Transportation, and Utilities.

N.Y.S.E. ALL COMMON

Table showing N.Y.S.E. All Common stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.

JOHANNESBURG

Table showing Johannesburg stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.

GERMANY

Table showing German stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.

AUSTRALIA

Table showing Australian stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.

OVERSEAS SHARE INFORMATION

NEW YORK

Large table listing various overseas share information for New York, including company names, prices, and changes.

Investment premium based on

\$2.60 per £—89 1/2% (88 1/2%)

Table showing investment premium data for various countries and currencies.

AMSTERDAM

Table showing Amsterdam stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.

TOKYO

Table showing Tokyo stock index data for various dates and sectors, including Industrial, Transportation, and Utilities.







## FINANCIAL TIMES REPORT

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# SOYABEANS

The soyabean has appeared on to the world food scene with little fanfare. Almost unknown until the post-war decades, it has become a major ingredient in both human and animal nutrition.

## World source of protein

By John Edwards  
Commodities Editor

SOYABEANS ARE best known to the public as a cheap substitute for a growing range of foodstuffs ranging from meat extenders to coffee "creamers." But these uses represent for the moment at least only a small percentage of soyabeans' role as a major source of protein in the world.

The main use of the ubiquitous soyabean is in being crushed to produce edible oil and the resultant meal. The oil goes into the manufacture of a wide range of food and industrial products — margarine, shortenings, ice cream, confectionery, as well as soaps, detergents, paints, plastics.

But it is the left-over meal, that is even more important as by far the biggest source of protein used in compound animal feedstuffs for livestock, especially the intensively-bred pigs and poultry. Since

the ratio from crushing the soyabean is to produce below 20 per cent. of oil to 80 per cent. meal, it is the meal that is the dominant by-product in terms of importance to the world's diet.

Soyabeans, because of their low oil content compared with other oilseeds and the suitability of soyabean meal for intensively fed livestock requiring quick growth, are claimed to be the first oilseed grown for the production of meal rather than oil. At the same time the rapid increase in production of soyabeans, linked with the development of intensively fed animals like pigs and poultry, has ensured soyabean oil a dominant role among edible oils as well.

The quality of soyabean oil is comparable, sometimes worse and sometimes better for different uses, with other competitive edible oils. But in meal it is in a much stronger competitive position with growth promoting qualities than even some meals with a higher protein content, like fishmeal, cannot match.

Ironically, in view of the current interest in soyabeans as a substitute foodstuff in the Western world, soyabeans — a leguminous plant indigenous to the Orient — were originally grown in Eastern Asia as a staple foodstuff made into flour, soy sauce, soyabean milk and curds, without the separation of the oil from the meal.

Pre-war China and Manchuria accounted for some three-quarters of world soyabean production, and remained the biggest single producer until being overhauled in 1954 by the U.S. whose crop now provides the bulk of world output. At one stage, soyabeans, which grow best in areas where the

summer is hot and rather damp, were used mainly in the U.S. as a fallow crop for putting nitrogen back into the soil between growing crops, such as corn (maize), wheat and cotton.

However, during World War II output in the U.S. was stimulated by the shortage of edible oils and animal feeding stuffs and then proceeded to expand even more rapidly after the war. Government price support, and limitations on the quantities of alternative crops — corn, wheat and cotton — encouraged more plantings of soyabeans to meet the growing demand from livestock producers and food manufacturers finding continual new uses for the oil. Disposal of surplus oil, which could have proved an embarrassment to the crushers, was aided by the PL 480 Government aid programme by the U.S. to developing countries in need.

### Leapt

As a result world production of soyabeans has leapt from around 12.5m. tonnes in 1939, of which about 9.5m. tonnes came from China and Manchuria, to the present total of around 72m. tonnes.

The U.S. is very much the dominant world producer. This year it is expected to produce a record crop of over 46m. tonnes (roughly 1.7bn. bushels). This compares with the lowly total of only 1.25m. bushels produced in the U.S. during 1976 that brought a temporary world

shortage of supplies and soaring prices.

Brazil has now replaced China as the world's second biggest producer with an output of 410m. bushels last year, against an estimated 370m. bushels by China and 150m. bushels by other countries. Brazilian production which has grown by leaps and bounds in the past decade is expected to reach 460m. bushels (about 12.5m. tonnes) this year compared with only 56m. bushels in 1970.

Although still well behind the U.S. in production terms, Brazil is very important in the export market since it does not have the big domestic consumption of the U.S. In order to provide employment, and reap the benefits of the semi-manufacturing process, the Brazilian Government is encouraging expansion in the domestic soyabean crushing industry to produce oil and meal for export and is, therefore, particularly important in these export markets. Out of the 12.5m. tonnes crop it is estimated some 3.5m. tonnes will be exported in bean form compared with over 5m. tonnes as meal.

Argentina is also expanding its soyabean production rapidly and is forecast to produce as much as 2.5m. tonnes this year.

Efforts are being made to extend soyabean production to other parts of the world, notably Mexico and Paraguay. The French Government and the EEC Commission have provided

some financial aid to prospective growers, but so far it has not proved possible to hybridise soyabean so that it can be successfully grown in Europe.

However, the world still relies on the U.S. for the bulk of soyabeans so that it decides whether there is a world shortage or surplus. Apart from unpredictable weather conditions, U.S. plantings of soyabeans fluctuate widely according to price variations not only in the soyabean markets but also for alternative crops, notably corn and cotton.

### Plantings

There appears to be a shift shown in soyabean plantings out of the traditional corn belt in the U.S., since average yields for corn over the years have improved more than in soyabeans. But more attention is now being paid to improving production of soyabeans, which are often grown as a second crop after the winter wheat crop has been harvested. There are also moves for double cropping of soyabeans themselves, since the period between planting and harvesting is relatively short compared with wheat or corn.

This year's record output of soyabeans, following the poor crop in 1976, shows what can be achieved provided there is sufficient price incentive given to farmers. With soyabeans production expanding in the rest of the world the U.S. Govern-

ment is well aware that growing competition in the future in the soyabean markets.

It cannot afford a repeat of the embargo that was posed on U.S. soyabean in 1973, because of a shortage of supplies, that raised protest from countries over the world which rely on U.S. supplies.

The current plentiful because of the increase in production, has driven prices down to levels which discourage plantings next year even though cotton prices are also depressed, as past experience has shown.

The supply situation change quite rapidly, and longer term there is no doubt that the world will require larger supplies of soyabeans to meet the increased demand for protein. For the immediate future, that demand is concentrated in a growing livestock population around the world.

But some forecasters are pessimistic about the future of soyabeans, since the world population will have to be fed by 2050. They say that the world will have to find ways to increase the production of food crops. They say that the world will have to find ways to increase the production of food crops. They say that the world will have to find ways to increase the production of food crops.

## Subtle meat additive

IN THE EARLY 1970s a somewhat over-eager industry

launched soy "meats" in Britain. Tasted and generally praised by the Press, these early substitutes and analogues sank rapidly from the headlines. But the idea lingered on that textured vegetable protein (TVP) was in some way a chemical concoction with the texture and savour of lightly boiled knitting. This deep-rooted suspicion of TVP goes some way towards explaining the reluctance of food manufacturers to disclose in intimate detail how and to what extent they use the many forms of soy protein and extracts in their products.

They are, however, all too eager to claim that at last there has been a breakthrough. They say that after years under a cloud, soy is now accepted by the consumer as a food in its own right. It's all downhill from here, they say, as they recite the growing list of soy products on offer in the supermarkets.

No longer is TVP listed among the "cranky" foods on the health shop register. It has become thoroughly respectable and has even developed something of a glamorous aura. Certainly there is considerable excitement in the food industry.

Over the past few years the use of soy in many forms has increased. As a meat extender it has gained a substantial slice of the catering foods market. It is a useful and cheap means of stretching costly meat supplies. There can be few school-children, hospital patients, soldiers, works canteen customers or even prisoners who have not ingested it at meal-times.

Food technologists delight in the versatility of the various extracts and isolates. Apart from their considerable nutritional value, they are highly valued as emulsifiers. They prevent fat — often over-abundant in manufacturing quality meat — from spoiling the appearance and texture of processed products. They absorb water well, add texture, and serve to hold air bubbles in "light" confections such as whipped toppings. They also have a natural quality which prevents products such as beef-burgers, sausages and "steaklets" from falling apart when handled or cooked.

But supporters of soy products stress that they are never used merely to "pad out" other ingredients. In the case of bread, for example, soy flour is dearer than wheat flour and demonstrably enhances the quality of the loaf. And while TVP is cheaper than meat, its ability to absorb fat and its

other qualities justify its label as a meat "improver."

At present, there are two main types of TVP on sale in Britain. The first variety is manufactured by a spinning process — similar to yarn manufacture — from highly refined soy isolates.

Considered by its backers as the most "meat-like" sophisticated and adaptable product, it is described by its opponents as out-dated and over-costly. Its detractors, naturally enough, include the makers of the rival product: extruded TVP. This variety is said to be favoured by most of the big-name food companies now retailing soy products in the mass market for direct domestic use from the can or packet.

### Converted

Extruded TVP is made from de-fatted soy flour which is processed under pressure at high temperatures in what may be described simply as a super-sophisticated sausage machine. Made into a dough with water, flavourings and spices, the flour can be rapidly converted into a "sausage" of TVP.

The "sausage" can be made in any shape, and depending on the cutters used at the machine outlet, it can become chunks, chips, threads or "mince."

As one manufacturer enthused: "Any flavour, or any colour. Farmers have to decide years ahead whether they are going to convert their vegetable protein supplies into beef, chicken, pork or veal. We can decide five minutes before we switch on the machine."

After extrusion or spinning the TVP can be either dried for reconstitution later, frozen, or further processed into "meat balls," "stews" or what-have-you immediately. For the moment, however, the greatest proportion is still used as an extender in meat or fish products, usually accounting for at most only 10 per cent. of the weight of the finished product.

In spite of all the current excitement, there are still some problems to be ironed out, and use at higher levels is still conditioned for many manufacturers by TVP's tendency to develop off-flavours under certain conditions.

And while the material's backers point to the British consumer's immovable attachment to the traditional baked bean as evidence of his lack of concern about the common and undesirable side-effects of legumes, company laboratories are working hard to extract the last of the fatulent qualities from soy. Of the 1m. tonnes of soy meal used in Britain each year, it has been estimated that as much as 50,000 tonnes is used in the

human food industry in one form or another. But only 10 per cent. of this — 5,000 tonnes — is currently being sold "undisguised" as soy protein in retail shops.

Small as this may seem, manufacturers are keen to remind the sceptics that only 18 months ago sales were struggling at around 500 tonnes a year. A spokesman for one major manufacturer of TVP said: "It has all happened in the last 12 months. Meat got dearer and the general economic climate really favoured the product's re-launch."

But there was a lot of hanging back on the part of the big retail groups. They were like a lot of kids standing on the edge of a swimming pool waiting for someone else to be the first to jump. "In the end, I think, Cadbury's were the first to go and that catalysed a chain reaction."

This time, the launches were carried through without the semi-hysterical claims about the "wonder food of the future" which accompanied earlier products. A foothold has been won in the retail market and the marketing men are working on extending sales with the pro-

ducts they have raf plunging ahead with per cent. of this — 5,000 tonnes — is currently being sold "undisguised" as soy protein in retail shops.

Apart from its nutritional advantages, its low initial price, flavouring may be expected to pay around 30p a pound for its basic raw Bulk dehydrated TVP an extender can be around 30p a pound stituted with water a of 2 to 1, each pound 3 lb of "meat equivalent" only 10p a pound.

If meat prices continue at the rate of the past TVP makers cannot encourage, and they time to make deep into the meat market the time being they long last been launched in private excitedly about the limited vistas of the market.

Christopher

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HOTELS—Continued

Table of hotel share prices including columns for company name, stock price, and other financial metrics.

INDUSTRIALS (Miscel.)

Table of industrial share prices, including various company names and their corresponding market data.

ENGINEERING—Continued

Table of engineering share prices, listing companies like BHP, Anglo American, and others.

ELECTRICAL AND RADIO

Table of electrical and radio share prices, including companies like Anglo American and others.

FOOD, GROCERIES, ETC.

Table of food and grocery share prices, listing various food-related companies.

HOTELS AND CATERERS

Table of hotel and caterer share prices, including companies like Anglo American.

BUILDING INDUSTRY—Cont.

Table of building industry share prices, including companies like Anglo American and others.

CANADIANS

Table of Canadian share prices, listing companies from Canada.

BANKS AND HIRE PURCHASE

Table of bank and hire purchase share prices, including companies like Anglo American.

CHEMICALS, PLASTICS

Table of chemical and plastic share prices, listing various chemical companies.

ENGINEERING MACHINE TOOLS

Table of engineering machine tools share prices.

CINEMAS, THEATRES AND TV

Table of cinema, theatre, and TV share prices.

DRAPERY AND STORES

Table of drapery and store share prices.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building industry, timber, and roads share prices.

AMERICANS

Table of American share prices, listing various US companies.

BRITISH FUNDS

Table of British fund share prices, including various investment funds.

Five to Fifteen Years

Table of five to fifteen year investment share prices.

Over Fifteen Years

Table of over fifteen year investment share prices.

Undated

Table of undated investment share prices.

INTERNATIONAL BANK

Table of international bank share prices.

CORPORATION LOANS

Table of corporation loan share prices.

COMMONWEALTH & AFRICAN LOANS

Table of commonwealth and African loan share prices.

LOANS (Miscel.)

Table of miscellaneous loan share prices.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail share prices.

AMERICANS

Table of American share prices, including various US companies.

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Soundings on division of oil revenue begin

BY PHILIP RAWSTORNE GOVERNMENT Ministers to-day begin discussions with TUC leaders and members of the Labour Party's national executive committee...

IMF inspectors meet British officials to-day

BY PETER RIDDELL, ECONOMICS CORRESPONDENT THE PROSPECTS for inflation and monetary policy and the possibility of early repayments of some of the U.K.'s debts to the International Monetary Fund...

Conservatives would retain slimmer Enterprise Board

BY JOHN ELLIOTT, INDUSTRIAL EDITOR PLANS FOR a Conservative Government to keep the National Enterprise Board in existence in a limited form as a State holding company for financially troubled companies...

Treasury argues for big steel job cuts

BY ROY HODSON A HAWKISH VIEW of the steel crisis is emerging in the Treasury as the department prepares to give evidence to the Commons Select Committee...

Rhodesia settlement put in doubt by new Smith move

BY OUR FOREIGN STAFF TWO MAJOR new elements were thrown into the Rhodesia settlement initiative at the week-end when Mr. Ian Smith, the Rhodesian Prime Minister, revived his plans for an 'internal settlement'...

Fire chiefs see no peace signs

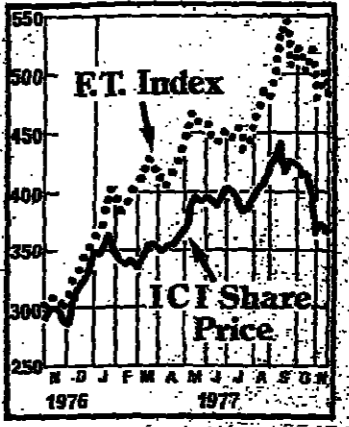
BY NICK GARNETT, LABOUR STAFF SENIOR officials of the Fire Brigades Union appear to be taking the view that there is little hope of a settlement this week of the strike...

Labour row over EEC elections

LABOUR anti-marketiers are expected to mount another vigorous challenge to the Government's commitment to European direct elections this week...

ICI in a harsh environment

A year ago the ICI share price in peace and the FT Industrial Ordinary share index stood at virtually the same figure. To-day there is a gap of well over 100 points between the two...



THE big three German chemical groups are uniformly gloomy and will probably cut their dividends this year while three of the world's top dozen chemical companies - AKZO, Rhone-Poulenc, and Montedison - look like making a loss this year...

Mr. Michael Latham, Conservative MP for Melton, said the Government should set local authorities free to negotiate a settlement.

The Provisional IRA admitted yesterday that it was in a dilemma over the firemen's strike and that it had deliberately avoided fire-bomb attacks.

Weather U.K. TO-DAY SNOW showers, steel. Sunny patches. London, S.E., Cent. S. England, E. Anglia, E. Midlands, Channel I. Frost, sun at first, snow showers later. Max. 4C (39F).

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